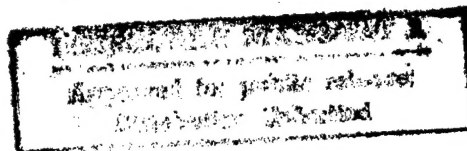


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29 July 1982



# China Report

ECONOMIC AFFAIRS

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29 July 1982

## CHINA REPORT

### ECONOMIC AFFAIRS

No. 252

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## NATIONAL POLICY AND ISSUES

### 'XINHUA' COMMENTARY ON CHINA'S ECONOMIC SITUATION

OW042230 Beijing XINHUA Domestic Service in Chinese 1257 GMT 2 Jul 82

[Commentary by XINHUA reporter]

[Text] Three new salient features have appeared in China's economic situation since the beginning of this year. First, the tempo of the development of the national economy is quicker than originally expected. Second, heavy industry production, which dropped last year, has obviously gone up again and begun to surpass that of light industry. Third, the supply of commodities has become abundant. A lively atmosphere rarely seen in the past 32 years has prevailed.

The rate of growth for this year's plan in the development of the national economy is determined by factors aimed at "ensuring a 4-percent while fighting for a 5-percent," that is, to ensure a 4-percent increase in the rate of growth as compared with that in the last year, while fighting for a 5-percent increase. This year's economic plan has been overfulfilled during the past 5 months with the profit and taxes delivered to the state from industrial enterprises increased by 10 percent. The output of the majority of manufactured goods has increased on a fairly large scale. Plans have been fulfilled well or fairly well in railway freight transport and freight shipping by departments under the direct control of the Ministry of Communications, in the amount of investments in capital construction projects which have been completed, in state purchases of products, in retail sales, in state expenditures and revenues and in the summer harvest in agriculture.

Following the readjustments in our national economy, changes have taken place in China's internal industrial structure since the beginning of this year. At a time when light industry continues to grow, the rate of growth and the percentage of heavy industry in total industrial output value have surpassed those of light industry. At present, many machine building enterprises have changed the situation of not having enough orders. They have signed many contracts with users for the supply of merchandise. The supply of thick steel plates and those of medium thickness as well as high-grade rolled steel, the demand for which dropped for a time, has now begun to fall short of demand. This kind of new change in heavy industry is caused by the following:

1. The development of light industry and the technical transformation of the existing enterprises have brought about the development of the raw material and machine building industries.
2. China's countryside is demanding more productive means from heavy industry following the improvement of the rural economy.
3. More complete sets of equipment have been made available to meet the needs of capital construction projects.
4. More heavy industrial products have been exported.

A responsible person of the commercial departments said: At present, the rural and urban markets throughout the country are fairly active with an abundant supply of commodities. This is a situation rarely seen during the past 30 years or more since the founding of the nation. Although the supply of some commodities still falls short of demand at present, the gap between consumer demand and the supply of commodities has been greatly reduced as compared with 2 or 3 years ago. With more consumer goods on the market, consumers no longer rush to buy goods as soon as they are put on the market, but put their money in the bank or in credit cooperatives and wait for a chance to choose among those with better designs. The masses in a number of places made remarks on this kind of change. They said: In the past, the people "brought cash and rushed to buy goods." After the 3rd Plenary Session of the 11th CCP Central Committee, the people "brought cash and waited to buy goods." Now, the people "put their cash into savings and choose to buy goods with better designs."

The fundamental reason for the fine economic situation in China since the beginning of this year lies in the party's excellent policy. The policy of the "readjustment, restructuring, consolidation and improvement of the economy" and the policy of opening up the country to the world and of activating the domestic economy formulated by the party Central Committee and the State Council are demonstrating their power. Centering around the demand for the improvement of economic results, the departments of industry and communications now pay more attention to production quality, variety, raw material consumption and production costs instead of production value and output. They pay more attention to increasing production and income and to increasing income by reducing expenditures instead of merely increasing production and income. They pay more attention to tapping the production potential of enterprises in order to expand reproduction instead of developing new projects in order to expand reproduction. They pay more attention to their work in science and technology instead of ignoring such work. They pay more attention to production as well as management instead of production management alone.

In short, China's national economy has already passed the most difficult period and has begun to embark on the path of healthy development. The situation is growing better and better. Yet, we must also realize that sustained hard work is necessary to bring about a fundamental improvement in the national economy. At present, we must continue to focus our economic work on improving economic results and make the rate of growth keep pace with the economic results. For this, the leading departments concerned put forward the following requirements:

1. It is necessary to raise production quality; increase variety; reduce the consumption of raw material; turn out more readily marketable products; attain a stable, healthy and sustained rate of economic growth; and fulfill the targets in "ensuring a 4-percent while fighting for a 5-percent."
2. It is essential to adopt effective measures to solve contradictions in the supply of coal and electricity and the transportation facilities failing to meet the needs in the development of production. We must simultaneously develop transportation and increase the supply of coal and electricity while economizing on the use of energy.
3. It is necessary to improve the flow of goods, send more manufactured goods to the countryside, and launch a drive to supply more goods to the 800 million peasants. The commercial departments must also improve their management methods and forms, further enliven the rural and urban markets and satisfy the needs of the people.

CSO: 4006/532

## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON DEVELOPING PRODUCTIVE FORCES

HK191101 Beijing JINGJI YANJIU in Chinese No 6 20 Jun 82 pp 38-44

[Article by Cai Jianhua [5591 1696 5478] of the party school of the Wuhan Iron and Steel Company: "An Analysis of the Main Contradictions in the Current Development of Productive Forces"]

[Text] Of all the complicated contradictions in industrial enterprises, the existence and changes of the contradiction of productive force itself causes the existence and changes of all other contradictions. There are many contradictions within the productive forces themselves and like the law of general contradiction, these contradictions are not balanced and during the different stages of development there exist a contradiction that is in a position to control, affect and define the existence and changes of other contradictions. What are the contradictions that exist within the productive forces of enterprises at present and that are in a controlling position so that once we are able to grasp these contradictions, all other contradictions in the productive forces of enterprises can be properly resolved? This article is intended to make initial analysis of this question.

#### 1. The Contradiction in Management Defines and Affects All Contradictions

It can be said that the contradictions in the productive forces of the current enterprises are numerous and complicated. But the most outstanding contradictions are: first, old equipment and backward technology and this situation does not accord with the need of market production. Second, equipment capability is far from balanced, giving prominence to single items in construction projects, paying attention to main things and neglecting subsidiary ones, paying attention to manufacturing and neglecting transportation, paying attention to products and neglecting raw materials and paying attention to production and neglecting management. Third, very irrational situation in the contents of the processing of productive forces (product structure). Fourth, enterprise management is lagging behind other factors of productive forces and it is not in line with the need to rationally organize productive forces.

It can be seen from these contradictions that the contradiction that enterprise management is lagging behind other factors in productive forces of enterprises is decisive in affecting the whole situation.

First, of the various factors in the current enterprise productive forces, management is the weakest link and it is the basic factor that decides the whole capability of the productive forces.

A number of enterprises or positions still neglect or do not care about management and so far they have not yet set up scientific labor and work quotas. If we say that there exists imbalance among productive forces, this imbalance is the most serious. We know that productive forces have a very strong integral feature. The capability to produce varieties of products of the right quality and quantity among various factors and sub-factors of productive forces is formed according to the principal of balance. Hence the situation in which the various factors are completely balanced, the whole capability is decided by the various factors with the same opportunity and the basic standard of a common level. Under the situation in which the various factors are out of balance, the whole capability is decided by the basic standard and the level of the lowest common denominator. Enterprise management is the organizational technology of the whole productive forces of enterprises and it has a direct influence over the level of productive forces. At present, of the various factors in the productive forces of enterprises, the factor of management is the weakest link. Therefore, the whole capability of the productive forces of many enterprises is formed on the basic standard of the level of the factor of management. It is true that some enterprises have some advanced equipment and other advantages, but they have not been able to display these advantages precisely and mainly because of this reason. In addition, of the various factors of productive forces, the factor of management plays the role of organizing technology with regard to the whole situation. Therefore it can be said that to a fairly great extent, some contradictions in production are caused by backward equipment. Of course, this is primarily because of macroscopic management. But some enterprises have failed for quite a long period to accurately solve the contradictions in productive forces and this situation shows that these enterprises have not been able to fully display their subjective motivation to solve this problem and it can be said that this situation is related to the fact that the management of these enterprises is backward. Some scholars say that under present conditions, some enterprises will be able to increase productive forces by 50 percent without any investment as long as they are able to strengthen management. This view cannot be said to be groundless.

Second, the contradiction of the old and backward equipment that can neither be renewed nor transformed for the time being can be relaxed through stepping up management. The equipment that needs to be renewed and transformed and that can be, must be, through improving management and using the best method.

Our industrial enterprises have long been characterized by backward equipment. The investment for renewing and transforming this equipment is excessive and therefore mass work cannot be carried out in this respect in a short period. The present strength of both the state and enterprises shows that during the 6th 5-Year Plan we in general can only renew "dangerous houses" and "dangerous machines" and transform the equipment that is inefficient or old and backward key equipment; it is beyond our reach to transform and renew all the equipment. Therefore there exist two problems: how to solve the contradiction of the

equipment that cannot be renewed or transformed for the time being? How to resort to the best method to renew and transform the equipment that has to be, and can be, renewed and transformed? In this respect, it is necessary to incorporate within planning the function and role of strengthening management.

(1) Management must be stepped up with regard to the old and backward equipment that cannot be renewed or transformed for the time being so as to prolong its life span and service period and constantly improve its efficiency. This work can be accomplished, that is because the life span and service period as well as economic and technical goal of equipment is relative. Some enterprises have effectively and creatively used feasible management methods and consequently even today they have been able to constantly improve labor productivity even though they are using old equipment dating back to the 1940's and 1950's. On the contrary, some equipment that was purchased not long ago, only has a 50 percent operation rate and very low efficiency because of relaxed management and improper maintenance. Therefore it can be seen that the actual use value and efficiency of equipment are not totally decided by the period in which they are used and by the extent of newness and oldness. They are also decided by operational capability that is affected by management and maintenance and therefore we cannot just pay attention to the original technical life span, face value and efficiency of the equipment.

(2) With regard to the equipment that must be, and can be, renewed and transformed we must lose no time to make scientific decisions, select the best methods and take the necessary methods. Economic and technical analyses must be made on the question of whether the renewal and transformation must be taken as a whole project or a partial project. Some equipment can be renewed and transformed as a partial project, that is to say, we can reach the same goal only by carrying out a partial project concerning key parts. Our textile industry has a number of good experiences in this aspect. The Beijing Qinghe Woollen Mill and the Shanghai state-owned no 17 cotton mill, which are outstanding units with good management, have on many occasions renewed and transformed many parts of some of their equipment, but the covers and supporting parts of this equipment have remained unchanged since they were made in the 1920's and 1930's, and yet the efficiency of the whole machines can be compared with that of new ones. Even if the renewal and transformation are carried out as a whole project, it is still necessary to make economic and technical analyses and work out planning and decide what is key work and what is not, what needs intermediate technology and what needs advanced technology, what links mainly require extensive knowhow and technology and what mainly requires intensive labor. The projects must be carried out along scientific management lines and proper planning must also be made with regard to time.

(3) We must concentrate our efforts on tapping the potential capability of enterprises in carrying out renewal and transformation so as to step up technical reform. Some items, particularly the items that have fairly big influence on the national economy, must have the support of state investment. But for most enterprises and projects, the state cannot make fairly big investments or cannot invest at all. Therefore it is necessary for its enterprises themselves to find more financial channels and particularly to tap their own financial resources. Some enterprises have been able to smoothly



solve their problems by starting from stepping up management. The Fushun No 2 Oil Refinery has set an example in this respect. This refinery previously had high energy consumption. In order to change this situation, the whole refinery was organized to start from stepping up management. The staff of this refinery investigated the energy consumption of each set of equipment and compiled more than 600,000 statistics which they compared with the data for energy consumption of 32 refineries at home and abroad to see how they differed. Through repeated discussions, they defined the orientation for renewing and transforming equipment for several years to come for the purpose of saving energy. More than 50 percent of the funds for developing production, renewing and transforming equipment and overhauling were used for technical transformation so as to save energy. As the refinery lacked technical force, the 500 technicians of the refinery were mobilized to undertake technical transformation. As a result, this refinery also succeeded in completing its tasks without a single cent of state investment while energy consumption has been drastically reduced. (See RENMIN RIBAO, 17 Sep. 1981)

Third, management must be strengthened with regard to equipment that is not in complete sets temporarily so as to ease down contradictions. The equipment that has to and can be turned into complete sets can so be solved through improvement of management and using good planning.

(1) Management must be strengthened with regard to the equipment that cannot be turned into complete sets for the time being so as to ease down contradictions. The ability to make complete sets of equipment is of the nature of expanding reproduction. In the past, with regard to expanding reproduction, we stressed the importance of extensive measures and neglected intensive measures while in intensively expanding reproduction, we stressed the importance of improvement and reform and paid less attention to improving efficiency. Marx said on many occasions: "Production is expanded with each passing year because of two reasons. First, because the capital that is invested is constantly increasing. Second, the efficiency in the use of capital is increasing. Minor innovations are accumulated in the process of reproduction and accumulation and eventually there appears a complete change of the whole scope." ("Collected Works of Marx and Engels," "The Theory of Surplus Value," Vol 26, p 598) So it is very clear that the second of these two reasons, that is intensive expansion of reproduction, incorporates both constantly improving efficiency and carrying out small innovations. To constantly improve efficiency means to constantly step up the movement of the various factors of productive forces and display the potential of the existing productive forces under the condition of adding no quantity and changing no technical capability so as to reach the goal of rationally expanding the scope of production. At present, when we are stressing the importance of concentrating on expanding reproduction by intensification it is necessary to give priority to promoting the potential and improving the efficiency of the existing productive forces. It is also necessary to improve the efficiency of the lower equipment capability so as to relax and lessen the contradiction that is caused by imbalanced equipment capability. The efficiency of intensive expansion of reproduction is realized through constantly strengthening the function of management. For example, a common phenomenon in metallurgical industry enterprises is that the capability in the links of ore mines is limited. Therefore it is necessary to



strengthen the management over the production of ore mines, constantly improve production efficiency and ease the contradiction of imbalance. Much work can be done in this respect.

(2) Scientific decisions and the best planning must be made with regard to the equipment that requires, and can be changed into, complete sets of equipment. But the works of improving the capability of complete sets of equipment cannot be carried out on a large scale, nor can each enterprise have a long list for money. Therefore in this respect there exists a question of correctly handling the relationship between whole projects and partial projects, between technology-intensive and labor intensive, between advanced technology and intermediate technology and there also exists the question of fully tapping the potential of the latent financial strength of enterprises and of the management in the process of making complete sets of equipment.

Fourth, we will be able to avoid blindness in developing products and maintain rational standards as long as we are able to improve the level of management.

(1) The guidance of macroscopic planning must be combined with microscopic management so as to avoid making blind development. In order to realize a balance between product structure and the structure of social demand it is imperative to make the national economy develop in a planned way and strengthen macroscopic prediction and its microscopic guidance. But even if we have stepped up the production of macroscopic planning and guidance, we can in no way replace microscopic management. If enterprises only vaguely reflect the economic situation or only care about their own business, it will not be possible to realize the prediction of macroscopic planning and guidance even if they are quite good. This is because in the final analysis, the goal of rational products can only be realized by enterprises themselves. Macroscopic prediction and guidance mainly display their roles in the first layer of the structure of products, that is in the structure of departmental products. The second layer of the structure of products, that is the structure of the products of enterprises, is mainly arranged through state planning, the market situation and their own conditions. Socialist society is still characterized by commodity production and as the varieties and specifications of products are becoming more and more complicated, the market situation fluctuates drastically and therefore it is impossible to give macroscopic guidance that includes everything. Particularly at present, the system of macroscopic production is yet to be set up and perfected, therefore it is even more necessary for enterprises to strengthen their own management. It is also imperative for enterprises to acquaint themselves in due time with the tendencies of change in social demand, market capacity and raw materials as well as with the tendency of the development of science and technology and major competitors.

(2) Strengthen enterprise management, correctly handle the contradiction between big batches and many varieties so as to guarantee a rational product structure. The important content in changing product structure is to constantly increase the varieties of products and in so doing there will consequently emerge a contradiction of mass production. Here the nature is the relation among varieties, big batches and costs and profits. If we fail to handle these relations well, the profits and costs of enterprises will be

affected and consequently they will be reluctant to increase varieties, only to affect the rational structure of varieties. But this contradiction can be resolved through stepping up management.

One way is to strengthen management and find out and maintain the economic characteristics of varieties and big batches. There is both contradiction and unity between varieties and big batches. The more the varieties become, the higher will be the per unit cost of the product and the lower will be the profits; the bigger the batches become, the lower will be the per unit cost of the product and the higher will be the profits. But mass production and lower cost bring bigger profits while more varieties and border sales channels put one in a better position to get bigger profits. Since there is an aspect of unity, it is therefore necessary to find the points of unity so as to guarantee both the necessary mass production and varieties.

Another point is to strengthen management and improve the adaptability of operation lines to produce more varieties so as to be able to mass produce many varieties. The main method for improving adaptability is to shorten the time of the changing order of the operation line. Some car-manufacturing companies in other countries have changed the time sequence from 1 hour to 15 minutes and later to 3 minutes. Such rapid changes in varieties do not affect mass production and costs and therefore they are effective in solving the contradiction between mass production and varieties in the interest of keeping a rational product structure.

(3) Strengthen enterprise management, improve the intensity of product processing and create more product specifications. The intensity of processing has two aspects. The first aspect is a further process that is made on the existing basis for the purpose of improving the specifications, variety, appearance and packaging of products. This work generally does not require new inventions and additional new technology; it mainly depends on the organization of the processes of production. A number of our exported machines have high precision and specifications. But their forms are old and monotonous and their appearance is "not pleasing" and consequently their sales are not satisfactory. Foreign businessmen who buy such machines carried out a little processing or just improve the packaging of these machines to turn them into machines with new specifications and sell them at much higher prices. This situation in fact represents intensity in processing. Because the organization and management in the process of our production are not good enough, many products are processed only 90 percent; thus with 10 percent left, we lost 100 percent. Another aspect of the intensity of processing is a further process that is made for producing more varieties on the basis of the existing products. It often happens that such processing requires new technology but it cannot be divorced from management and organization either. Comprehensive use of ores and raw materials for coking and petrification belong to intensive processing. The petrification enterprises in our country have wasted enormous valuable resources because their processing is not intensive enough and their products are monotonous. This situation is related to the macroscopic system but it is also generally related with enterprise management.

(4) Strengthen management over research and design so as to constantly renew the product structure. The product structure is a dynamic structure and it has to be constantly renewed. In addition, the period of renewal is getting shorter and shorter and this situation is called the "four generations of one family." That is to say, when we are producing the first generation of products we must at the same time experiment on the second generation, begin to study the third generation and think about the fourth generation. But this can only be guaranteed by powerful enterprise management over scientific research and design work. It therefore can be said that in solving the contradiction of product structure that departs from the structure of social demand, the factor of management has a guiding role.

The difficulties of our enterprises in getting raw materials can also be solved to a great extent through improving management. First of all, the capability in getting raw materials has been weakened by serious waste and high consumption. It has been mentioned above that the waste of our energy is serious and 40 percent of this waste is caused by backward technology. That is to say, 60 percent is caused by management and other reasons. Pipes, valves and circuits of many enterprises waste an enormous amount of energy every year because of leakage; empty loads of trucks across the country consume about 3.6 million tons of oil every year. All this is caused by management. With regard to the management of raw materials, some enterprises are just "waiting for rice to cook" and they rely on allocation; they do not take active and flexible measures to get raw materials. Facts prove that some enterprises can solve some problems with regard to raw materials as long as they are active in finding ways such as purchasing dispersed waste, carrying out processing and combining production with supply. But enterprises are often slow and inflexible in this aspect because of low management level.

All this shows that the present contradiction in enterprise management influences the whole situation and it is in a guiding position in the contradictions of the productive forces themselves stepping up management and solving the contradiction of backward management do not mean neglecting other contradictions. On the contrary, it is only by proceeding from this reality that we are able to solve the contradiction of the whole situation by resorting to the most ideal method.

## 2. The Relation Between Main Contradictions of Enterprise Productive Forces and the "Eight-Character" Policy

The principle of readjusting, restructuring, reorganizing and upgrading is being implemented across the country. How to solve the relations between this principle and the main contradictions in the productive forces of enterprises? The objective foundation and the target of the role of this principle is the whole national economy. Some of the various aspects of this principle are mainly displaying their macroscopic roles while some others, microscopic roles. But the other aspects of the principle of readjusting, restructuring, reorganizing and upgrading will sooner or later have a relationship with the existence and changes of the main contradictions of the productive forces of enterprises.

First, readjusting, this creates the macroscopic conditions for solving the main contradictions of the productive forces of enterprises and consolidates its own achievements in the process of solving the contradictions.

Readjusting includes many aspects such as readjusting the structure of enterprises, products, technology, industry and organization. In short, it is aimed at balancing the proportion of the national economy. Its role is mainly macroscopic while its main measures are to close down, suspend, merge, or shift to other modes of production, reorganize and integrate enterprises. Consequently there are two results of readjustment. The first result is that the structure of the national economy tends to be rationalized and to create the macroscopic conditions for improving the management of enterprises. That is because in the final analysis, enterprises are cells of the national economy and under an abnormal macroscopic organism, it is impossible for the cells to develop healthily. Enterprises will be able to avoid obstacles and realize rational management only when their macroscopic structure is rational. On the other hand, reorganizing and integrating give rise to the emergence of united organs with various forms and such emergence represents a rational solution for macroscopic contradictions in production. But, viewed from within these united organs, the contradictions between the recombination in greater scope of other factors in the productive forces and backward management factors have become more acute. Because unlike "polymerized" expansion of enterprises, the united organs in general are formed in a short period by the method of "centralizing" several enterprises and through macroscopic planning and administrative interference. Consequently there will appear such problems as "enterprises have been combined but not people's thinking," "through combination, cadres worry that their rights will be weakened, rich factories worry that their profits will decrease while small factories worry that they will disappear in combining," and "sharing the same bed but dreaming different dreams." But in addition to all this, there is an outstanding contradiction that cadres' management level does not accord with the requirements. Materials of the investigations of some departments in Wuhan show that the existing cadres do not have rich experience; they are more familiar with the management of small production that has been followed by them for many years and up to now they still feel that it is more convenient for them to use the old method and more difficult to grasp the new method. Therefore at present, "enormous basic work such as quota management, technical management, production management, cost accounting and rational prices within enterprises has not been done, let alone the new methods of overall quality management and market prediction. If no urgent measures are taken to solve this contradiction, the united organs will consequently have various difficulties and the enterprises will lose their organizational key and a chaotic situation will arise in business principle and goal. Therefore strengthening management has become an important premise for the consolidation and development of the present united organs." It can be seen that readjustment has created conditions for stepping up enterprise management and has also given rise to new tasks for management and eventually it will be necessary to consolidate the achievements of the readjustment through stepping up enterprises' management.

Second, restructuring. Restructuring has added new motive force for solving the main contradictions in the productive forces of enterprises and made achievements in solving the contradictions.

Restructuring mainly refers to changing various economic systems and it has both microscopic and macroscopic aspects. Then restructuring of industrial enterprises will gradually involve the basis system of the enterprises. The main point for making a breakthrough in this respect is the economic responsibility system, including the enterprise responsibility system toward the state and the responsibility system within the enterprises. The main contents of the economic responsibility system within enterprises include directly combining the position responsibility system with the interests of workers and staff, overcoming egalitarianism, mobilizing initiative and developing productive forces. Of all these, the position responsibility system is the basis. That is because the relationship of distribution whereby the state gets more revenue, the enterprises retain more and staff and workers get more can be correctly handled only under the condition of normal position responsibility. Normal position responsibility means the average technical level, economic norms and goals that should be attained by a person or a unit during a certain period. The working out of average advanced norms and goals defines the average function of the movement of productive forces. Average advanced norms and goals are checked according to a standard, with overall and accurate quantitative analysis, testing and means of control and with overall and accurate original records, accounts, archives and a complete scientific and simple method. But all this means pressure to step up enterprise management and solve the main contradictions of the productive forces of the present enterprises. As this pressure is related with the economic interests of the enterprises and their staff, therefore it is called a certain inherent motive force.

The implementation of the economic responsibility system must be based on normal management; it is therefore necessary to give priority to strengthening management or at least the system must be carried out along with the strengthening of management. Why have some enterprises made big achievements in implementing the economic responsibility system while others have made little achievement? Such a difference is a reflection of the difference in the order of management. All the units that have been able to implement the economic responsibility system with better results have worked hard in improving management. The whole process of implementing the economic responsibility system must be combined with the contradictions of solving backward management. Further development and consolidation of economic responsibility systems will eventually further strengthen and improve the factors of management while further strengthening and improvement of the factors of management represent a condition for the development of the economic responsibility system and a result in the development of this system.

Third, reorganizing. The direct task of reorganizing is to solve the main contradiction of the backward management of enterprises.

Reorganizing also covers many aspects. At present, enterprises must primarily reorganize and perfect the economic responsibility system, reorganize and



strengthen labor organization, labor discipline and financial discipline and reorganize and set up leading groups. If we say that readjusting and restructuring are related to solving the main contradictions of the productive forces of enterprises, then the direct purpose and task of reorganizing enterprises is to solve these contradictions. The objective necessity of reorganizing is based on a main contradiction that the management of enterprises is lagging behind other factors of productive forces.

Fourth, readjusting, structuring and reorganizing represent a method while their purpose is to improve productivity and economic effects. Social productivity and effects are the sum of the productivity and effects of enterprises. Therefore, both macroscopic and microscopic capability and effects are manifested in each enterprise and in the final analysis, they are completed through solving the contradictions of backward management.

### 3. Some Questions About Solving the Main Contradictions of the Productive Forces of Enterprises

First, we must change the difference in understanding.

Men are the main part of management. The sources of the initiative of men's deeds cover many aspects and one of these aspects is that a man has to understand the practical significance of his deeds. Marx said that men "are living creatures with ideology while labor itself is a materialistic manifestation of this force." ("Das Kapital," Vol 1, pp 228-229, People's Publishing House, 1975) When men do not yet understand the practical significance of labor management, there is no such force of the materialistic manifestation of labor management. And this situation cannot but become an important reason for the backward management of enterprises. Up to now, some enterprises have paid only little attention to the important position of management in productive forces. Some comrades only acknowledge other technology and neglect technical management, acknowledge the practical role of each factor of productive forces and neglect the practical role of the factor of management that is capable of combining the whole body and acknowledge the changes that are caused by increases of the quantity of the various factors of productive forces and neglect the changes that are caused by the capability for combination of management.

Management is a kind of technology. Lenin referred to such a concept as "technology of management," "science and technology of management" and "management technology" on many occasions following the October Revolution. ("Collected Works of Lenin," "The Current Tasks of Soviet Political Power," Vol 27, pp 26, 237; "Ninth Congress of the Soviet Communist Party (Bolshevik)," Vol 30, p 419) Today, management has its own particular means, particular methods, complex technical system and complete theoretical system. Theoretically it is groundless and harmful to deny the technical nature of the management of enterprises.

The increases of quantity and changes of the property of the various factors of productive forces may give rise to changes of productive forces. That is because changes in the structure that are caused by the role of management may

to a certain extent also give rise to the emergence of new productive forces. The reason for this theory is that the development of things does not wholly depend on quantitative increases; to a certain degree, it also depends on changing the inner structure. Such is the case with the development of the productive forces to a certain extent. Even under the situation in which the quantity and quality of other factors are completely the same but the level of management and the rationality of the forms of organizational combination are different, products will differ very much in variety, quality and quantity. This kind of force in labor management can be consciously strengthened only when people have fully understood these factors of management and when the important position of the factors of management in the system of productive forces is fully affirmed.

Second, do a good job in deploying leading cadres and leading groups.

It has been mentioned that men are the main part of management. The key question for solving major contradictions through reorganizing and stepping up the management of enterprises is to do a good job of deploying factory directors (managers) and secretaries in enterprises according to their capability. Can we say that in this way we are belittling the role of collective management? Absolutely not. All major questions in enterprises are decided by collective management through democratic procedures. But the principle that decisions and day-to-day business can only be realized through qualified factory directors (managers) and the negation of democratic decisions is meaningless. Over the past few years there have occurred a number of facts in our country. For example, some enterprises were characterized by chaotic situations, losses and low labor productivity for quite a long period but later these enterprises have been able to rapidly realize rational organization of their productive forces and to make changes because they have deployed capable factory directors or some qualified comrades have taken such a position of their own accord. Another experience also proves that the units have been in a backward situation for a long period in general primarily because the quality of their leading cadres is not up to requirements and consequently they are not in a position to accurately expose the various contradictions inside and outside the enterprises in due time and solve them through management. Therefore, organizationally speaking, in reorganizing enterprises and solving major contradictions it is necessary first of all to do a good job of deploying leading cadres. Those whose qualifications are not suitable for such a position must be properly transferred to other positions. Of course, it is not enough just to have outstanding leading cadres. We must also have leading groups that are responsible for implementing decisions and directing production such as factory standing committees and party committees. Under the premise of democratic management and collective leadership, all major decisions of enterprises must be made collectively. The advantages of the collective is that it pulls together the wisdom of many people. But collective management does not mean scientific management. A collective that is composed of unprofessional people means nothing but collective unprofessional people. In addition, in a collective where the majority are unprofessional people it is often the case that the talent of the minority of professional people is limited by the democratic form. Therefore in reorganizing and

strengthening leading cadres we must be resolute in doing a good job in forming leading groups.

Third, step up knowledge improvement.

The level of management knowledge of the cadres in some enterprises is staggeringly low. For example, a test on general management knowledge attended by more than 300 first-grade workshop cadres from two factories showed that 60 to 70 percent were below standard; some cadres did not even know how to calculate the labor attendance rate. With such knowledge, no wonder the management of enterprises is backward. Lenin said: "How can you carry out management without professional and full knowledge and without scientific management knowledge? It is ridiculous!" ("Collected Works of Lenin," "Speech at the All-Russian Organizational Conference of the Central Council of Trade Unions of the Communist Party", Vol 26, pp 544-545). That is because the process of management represents the process of the output of management knowledge by managers. Without scientific management knowledge for output there will be no scientific management.

The only way to change this situation is to inject knowledge and to organize management cadres in a big and planned way to study. The scientific knowledge that includes management knowledge is that of the productive forces while education and study are the main method for injecting scientific knowledge. The enterprises that do not have enough production tasks and that have been closed down or suspended must spend their idle time mainly in study; the enterprises with urgent production tasks will also have time for study once they are resolute in making arrangements. The contents and starting point of the study must have many forms, but in principle, the contents must be closely combined with the practice of production in enterprises; long-range basic theoretical study must be closely combined with grasping the knowledge that is applicable at present. In order to improve the conditions for management, we must set these tasks for ourselves: first, study; second, study and third, still study. Then check the study so that the knowledge really penetrates into our blood and it really and completely becomes part of life...." ("Collected Works of Lenin," "Better Less But Better," Vol 33, pp 442-443)

Once we are able to basically solve the above three questions, it will be easier to change other contradictions for changing management while the main contradictions in the productive forces of enterprises can be handled smoothly.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON INCREASING CAPITAL CONSTRUCTION

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[Article by Liang Wensen [2733 2429 2773] and Shen Liren [3089 4539 0086]:  
"The Relationship of Increase in Capital Construction Investment to Economic Growth and Financial Balance"]

[Text] With the readjustment of the national economy, the year 1981 witnessed reduced growth of industrial production and particularly a fall in the production of heavy industry, the mainstay of which is the machine-building industry, and a relative reduction in financial revenue. Lack of funds has become a pronounced difficulty in economic construction. Some comrades hold that the restrictions of ensuring a balance between revenue and expenditure in finance and credit have suffocated the economy and put forward a suggestion that while reorganizing enterprises, strengthening management and tapping potential, it is necessary to increase the investment in capital construction, and bring the machine-building industry back to life so as to accelerate the growth rate of industrial production and promote the continued growth of financial revenue.

With regard to this argument, we must make a concrete analysis and grasp a certain demarcation line. Only when we correctly handle the interrelationship of the increase in capital construction investment to economic growth and financial and credit balance, can we adapt ourselves to new conditions and find solutions to new problems with a definite object in mind, so as to consolidate the achievements of the economic readjustment and further improve the already very good economic situation.

The Interrelationship of Increase in Capital Construction Investment to Economic Growth and Financial Revenue and Expenditure

Funds for most capital construction projects were allocated by the state in the past. This part of financial allocations constituted a considerable weight whether in financial expenditure or in the distribution of the national income or in the use of accumulation funds and has a great impact on the balance between revenue and expenditure and on the overall balance of the national economy. China's financial revenue accounts for about one-third of the national income and it cannot be regarded as high compared with that of other countries. However, it plays a great role in economic development and

economic balance. This is because: first, it has not only centralized the greater part of the value of the surplus products in the total social products (m) but also determined the scope and the orientation of the use of accumulation and determined the whole economy and particularly the growth rate and proportional relations of the key departments which have a bearing on the national economy and the people's livelihood to a great extent through arranging capital construction; then, basically with the increase in fixed assets and production capacity, as another component part of accumulation, circulating funds increased correspondingly; and furthermore, in financial expenditure, the expenditures of most of the projects which take the existing number of staff and workers and the scope of undertakings as the base are relatively fixed, with a narrow range of fluctuation while the investment in capital construction is relatively elastic. In the investment in capital construction, it is permissible to undertake more or fewer batches of projects and to quicken or reduce the pace of such projects. Therefore, whether or not a balance between revenue and expenditure is achieved is very often dependent on whether or not the scope of capital construction is appropriate to a great extent. The practice in economic construction over the past 30-odd years has proved that the overstretched scope of capital construction constitutes the regular reasons for expenditure surpassing revenue, income falling short of expenditure and the emergence of deficits. For this reason, curtailment of the scope of capital construction always becomes a routine measure for eliminating deficits and regaining a balance in finance.

The investment in capital construction has a direct impact on the balance between revenue and expenditure on the one hand and on the whole of production, distribution, exchange and consumption on the other, and indirectly further effects revenue and expenditure through these economic activities. Financial matters are, in the final analysis, an economic issue, that is to say, a matter of production and distribution. The interrelationships of capital construction investment to the economy and finance are mainly manifested in:

- 1) The investment in capital construction determines the economic growth and increase in financial revenue to some extent.

Carrying out capital construction through purchasing equipment and building materials and handing out the wages for builders and installation personnel has increased the demand for means of production and means of subsistence and promoted these departments to expand production and at the same time, will cause a series of chain reactions among the other departments concerned. After the completion of capital construction, apart from becoming consumable fixed assets, capital construction still forms new production capacity. As a result, it increases the need for means of production on the one hand, and directly extends the supply of means of production and means of subsistence on the other hand, thus producing an impact on many departments. On the basis of increased supply and demand and expanded production, it is possible to correspondingly expand financial resources and boost revenue. In the cycle of the national economy, the investment in capital construction is a motive force. Capital construction is directly or indirectly related to the balance between social resources (supply) and social needs (demand) and is a standard

weight which holds the balance in regulating supply and demand, including financial revenue and expenditure.

2) The distribution and use of the investment in capital construction has a great bearing on the economy and finance.

While the scope of capital construction is already fixed, different orientation of distribution and different methods of utilization will produce widely different results. There can be many criteria in measuring the results of investments, depending on different viewpoints. The macroeconomic criterion is mainly the output rate of investment while the microeconomic criterion is mainly the recovery rate of investment. Moreover, there must be a criterion of time, that is to say, ordinarily, how much time will be spent to achieve the above-mentioned results so that we can calculate the recovery period of investment both in macroeconomic and microeconomic terms.

3) The excessively large or unduly small scope of capital construction will play a negative role.

Although the investment in capital construction has a propulsive role in economic growth and increasing financial revenue, the scope of capital construction must be appropriate. Greater scope of capital construction will not necessarily be better and more investment will not necessarily act as a greater motive force. This is because the total social product in a certain period is a fixed amount. Only when compensation funds (c) are first ensured and an increase in the average per capita consumption funds ( $v$  plus ( $m$  divided by  $x$ )) is effected, can reliable accumulation funds be attained, in which relevant circulation funds and social reserve should be ensured, so as to acquire an appropriate portion which can be used in capital construction to form added fixed assets. If the scope of investment overreaches itself, it will seize compensation funds or accumulation funds or circulating funds for other purposes and cause an imbalance between construction and production on the one hand and livelihood on the other, and cause disproportions in social reproduction. Besides that it may interfere with the simple reproduction of part of the fixed assets which are included in it, unduly small scope of investment will still restrict the expansion of fixed assets and production capacity of the various departments, reduce the growth rate in future, and social needs in the immediate future, and influence current production and may bring about such consequences as a part of the means of production becoming unmarketable, the heavy industrial departments running below capacity, the builders and installation personnel being left idle, a reduction emerging in the employment of the naturally growing labor force and a decrease also emerging in financial revenue. Similarly, this will be detrimental to the balance between production and construction on the one hand and living consumption on the other hand, and will give rise to another shrinkage-type disproportion.

4) The scope of capital construction is determined by the capabilities of financial and material resources.

The scope of capital construction is determined by the capabilities to provide manpower, material and financial resources rather than subjective needs; furthermore, it is determined all the more by the actual amount of materials rather than the amount of money which we have. Owing to all sorts of reasons, money and materials are very often not identical. For example, of the huge quantities of materials kept in stock, the materials which are unmarketable and of low quality do not possess or do not completely possess any use value. In the process of reproduction, money and materials have different forms of movement and channels of circulation, and each has its own relatively independent character. Under certain circumstances, for instance, with the emergence of a deficit in finance and of inflation or credit inflation, this part of money does not in fact symbolize numerically-equal material objectives. With currency devaluation, the material objects which we buy with the same amount of money will be less than what we could buy in the past. Using this part of money to arrange capital construction, it is difficult to accomplish the goal due to the lack of a material basis unless the materials for wear and tear, production and livelihood are seized for this purpose. All these are complicated factors which need careful consideration in studying the investment in capital construction and its interrelationship with revenue and expenditure. If we only notice that the investment can promote economic growth and an increase in financial revenue and then unrestrictedly raise the rate of accumulation or investment rate and with this we forecast a growth rate in a summary fashion, or if in order to maintain a balance between revenue and expenditure, we unrestrictedly reduce the scope of capital construction without noticing that this will produce a negative influence on the various departments of the national economy, we will commit mistakes of a one-sided nature.

Over the past few years, the sources of investment in capital construction have stretched from basic reliance on state financial allocations to bank loans and other locally raised funds, and furthermore, the mutual support of the balance between financial revenue and expenditure and that between credit revenue and expenditure has become increasingly close, so it is still necessary to include the balance in credit revenue and expenditure in the balance of financial revenue and expenditure and to explore and research them together.

The "Reasons" for the Problems Resulting from the Curtailment of Investment and the "Limits" Which Should Be Grasped in Increasing Investments

Over the last 2 years, in reducing the investment in capital construction, achievements have been primary but some problems have also cropped up, and they are not confined to one.

First, the reduced investment in capital construction has interfered with the production of heavy industry and particularly the machine-building industry. The machine-building industry became an industry whose products were in excessive supply long ago. This shows that the raw and semi-finished industries and processing industry are not well coordinated and also shows that the structure of heavy industry, the product mix, the technological makeup, the line-up of enterprises and the organizational structure of enterprises are

irrational. The manifestations of this structural overproduction are that the service orientation is not definite and the quantity is a little too much but the level is a bit low. In total industrial output value, the output value of heavy industry in the 1970's gradually surpassed that of light industry and that of the machine-building industry constituted one-fourth of the total industrial output value. However, the heavy industry departments which served light industry, agriculture and the people's livelihood constituted an unduly small portion. During the economic readjustment, with the curtailment of the scope of capital construction, the change in investment orientation and the huge reduction in the investment in heavy industry, it was only right and proper that the production of the machine-building industry dropped and was "run under capacity." It is obviously impossible to try to indiscriminately put the entire and even the majority of the equipment to full use and operation. China's current irrational prices and high prices for the products of the processing industry have promoted the blind development of machine building. So, the current reduction in its production will have to produce a greater impact on financial revenue.

Next, initial reforms of the economic system have resulted in the changes in the method of gathering and distributing funds, with revenue and expenditure changing from being highly centralized to being appropriately decentralized. It must be acknowledged that the previous financial system had serious shortcomings and defects. For example, some money which should not have been centralized (such as basic depreciation funds) was brought in line with the state budget, thus giving people a false impression that financial revenue and expenditure was the only channel for distributing the investment of fixed assets and various localities and departments as well as enterprises have to ask for investment from the state to carry out capital construction. Along with this, this practice brought some false impressions to financial revenue and resulted in too much investment being arranged in the state budget. Furthermore, losing control on consumption funds has caused the added amount of distribution of accumulation funds and consumption funds to exceed the total amount of the actual national income. This is the main reason for the emergence of inflation. With more money in the hands of the localities, enterprises and urban and rural residents, money was deposited in banks and was not used for the time being and as a result, banks have more money as well. This is a good thing and conducive to arousing the initiative and sense of responsibility of the various levels and units for boosting revenue and cutting expenditures and for managing and using funds well. However, the ratio of financial revenue in the primary distribution of the national economy decreased from 31.7 percent in 1979 to 26.5 percent in 1980. An increase of 26.3 percent is estimated in 1981. Calculated according to the remaining sum of bank savings, the credit funds which were already in the banks totalled 175.2 billion yuan by the end of 1980, which was equal to 48.9 percent of the national income of the very same year and surpassed the whole year's state budget funds. This is vastly different from the traditional concept and habitual practice in which funds for capital construction were mainly allocated by the state. As a result, in curtailing investments, there emerged the phenomena in which a reduction is made by the central authorities while an increase is made by the localities; a reduction is made in the projects within the state budget while an increase is made in those projects outside the state budget;

a reduction is made in finance while an increase is made in credit; and a reduction is made in capital construction while an increase is made in technical measures. Therefore, a new task has been raised to make an overall arrangement and unified balance of the capital construction and capital construction in distinguished from which uses funds from various sources.

Furthermore, at present, there has not yet been a fundamental change for the better in the situation where the returns on investment in capital construction are very poor. Over the last few years, there have been many weak links in capital construction ranging from the arrangements to the utilization of investment. After the funds were decentralized, the various localities and departments arranged a batch of projects. A portion of the funds were used in developing the production of consumer goods. This is a practice of requiring less money but producing quicker results. However, in some of the projects there existed blindness and the production of goods in excessive supply was carried out. This practice not only exceeded the market capacity and caused the overstocking of products but also vied with old factories for raw materials, fuel and power, or the production of goods in excessive supply consumed and wasted large amounts of energy due to the backward technology. At the same time, the phenomena of long construction cycles, high construction costs and heavy waste are still serious, and proper results are far from being achieved. So, on the matter of investment at the present stage, we must first of all aim for raising the returns on investment rather than stubbornly concentrating on increasing the volume of investment.

In light of the above-mentioned situation, at present in considering increasing the investment in capital construction, we must take into account the advantages resulting from increasing investment in capital construction on the one hand and the difficulties which may arise on the other hand, and moreover we must make a calculation about quantity and grasp an appropriate "limit."

At present, how much material resources which can be used in expanding capital construction do we actually have?

For many years, the investment has been excessive, the materials insufficient and the gap too wide. There have been too many problems to tackle in this respect. After the curtailment of the scope of capital construction, things took a turn for the better. At the same time, there emerged the overstocking of machinery and electrical products, which were worth more than 60 billion yuan, and the imported equipment was also kept in stock for the time being. Some people hold that this state of affairs is the result of the excessive curtailing of investment. It is better to put the equipment to use, turn a dead thing into a living thing and let it serve socialist construction than to keep it in stock. There are still some people who calculate that the net output value of the means of production in the 1980 total of social products after deducting the portion for consumption was 90 billion yuan, which was at least 30 billion more than the total amount of the arranged investment. This shows that there are both needs and possibilities for expanding capital construction. In our opinion, with regard to materials, we must not only pay attention to the total amount of their value but also take notice of their specific structure, that is, whether or not their use value is suited



to actual needs; we must not only pay attention to the means of production which are needed by capital construction but also take notice of the means of subsistence needed by the production of the completed capital construction; and we must not only pay attention to the means of production but also take notice of the means of subsistence whose needs were correspondingly increased due to investment.

The overstocking of machinery and electrical products is of long-standing. Besides the approximately 20 percent which should be scrapped, a percentage was kept in stock for turnover purposes, and the reason why the remaining portion was not sold out was that they failed to meet the consumers' needs. Of the "three materials" which are needed by capital construction, at present only the supply of rolled steel has relaxed to some extent, but the supply of timber and cement has remained strained. Particularly there is also a considerable strain in the supply of energy and raw and semi-finished materials for the projects which have been completed and commissioned. This is one of the important reasons why some trades were operated under capacity and the production capacity was left idle. The "Sixth 5-Year Plan," it is improbable that there will be a marked increase in energy and the structure remains unchanged, increasing the heavy industrial output value by 1 percent will mean a relative 3 percent decrease in the light industrial output value; increasing the investment in capital construction and accelerating the growth rate of heavy industry will mean reducing the growth rate of light industry. Expanding investment will also mean correspondingly increasing the purchasing power for social commodities, and this will constitute a pressure on the consumer market where supply has already fallen short of demand. The net output value of the means of production and the marketable means of production of and the marketable means of production of an investment nature are not the same concept, of which the net output value includes the above-mentioned equipment kept in stock and so in fact it is a false or ineffective value. Therefore, increasing the investment in capital construction will not certainly mean, in material guarantee terms, that "everything is ready, except the final important condition."

Another aspect of the problem is that at present, how much funds which can be used in expanding capital construction do we actually have?

By exerting enormous effort, at present a basic balance between revenue and expenditure has been achieved throughout the nation. However, this does not mean that only the departments at the central level are strained and the localities at the various levels are very ample in financial affairs. Of course, conditions of the various provinces, municipalities of power, the funds of enterprises increased. According to reports, the enterprises which were involved in the experiment (by and large occupying more than one-half of the total value of the entire industrial output) got an additional 12 billion yuan in the last 3 years. It must be noted that the funds of enterprises include the deduction for basic depreciation funds and moreover, quite a few enterprises owe huge debts in the replacement and renovation of equipment; and they also include the welfare funds and funds for rewards of the staff and workers. The funds of enterprises which can be used in technical transformation and in capital construction only constitute a small portion. The

original value of China's state-owned industrial and communications enterprises has surpassed 400 billion yuan, and for those enterprises, more than 20 billion yuan is required for renovation and transformation annually. Comparing this sum with the additional 12 billion yuan which the enterprises received in the last 3 years, it is obviously difficult to raise such a sum of money.

Everybody places hope on social funds. Some people raise the slogan "save the country through the bank." It is really necessary to broaden our field of vision, overcome the erroneous point of view of not attaching importance to banks and give full play to the role of banks in socialist construction, including the balancing and supervisory role. But it is still necessary to make a careful calculation in this respect. Bank savings have rapidly increased over the last few years. The deposits of enterprises and the savings deposits of the residents both in the cities and the countryside have surpassed 50 billion yuan and 40 billion yuan respectively. However, this sum falls into the category of the liabilities of banks, which the enterprise and the individual may use and banks themselves may also use. At the same time, it is impossible for "a girl to get married to two men." According to the regularities of time and the turnover of money, what banks can arrange is, in fact, only the part which precipitated in the process of the turnover of the savings deposits and a part of the annually accumulated amounts of savings deposits. Only part of these funds which are deposited for a long period of time can be arranged as bank loans for capital construction, and besides, a considerable portion is to be arranged to add to circulating funds.

Some people maintain that with the expansion of production and the changes in the conditions of currency circulation, issuing more money falls into the category of economic issuance rather than financial issuance. We hold that it is a fact, however, there must be a "security line" rather than no demarcation line at all in the issuance of currency. The currency issued in excess of the volume needed in market circulation will give rise to inflation and lead to an imbalance between money and materials and reduce the commodities and materials which are symbolized by currency value and result in price hikes.

Therefore, to correctly handle the relationship between investment and currency, it is necessary to have correct theories and policies as the guidance and the credit from surpassing the "limits" and the issuance from outstripping the "limits."

There is another problem: when will the current increase in investment produce results?

At present, some people say: "To gain big money, one must lose small money." It seems that an increase in production and revenue can be effected the moment an investment is made. That is a romantic notion. Take the "First 5-Year Plan" for example, the national income yielded by 100 yuan of accumulation was 35 yuan and the recovery period of investment was nearly 5 years. Now the former decreased by over 10 yuan and the latter was 100 percent longer than the previous one. Therefore, increasing investment first means expanding the needs and then the supply. There is a "time difference" here. During this



increasing the needs to the neglect of increasing the supply will mean broadening the contradiction between supply and demand.

Although we have material guarantees for granting loans for purchasing farm produce and sideline products, there also exists this problem. The large amount of money put on the market to purchase farm produce and sideline products will immediately become the demands for industrial products; the means of production and the means of subsistence. If the former are produced by newly-built or extended factories, with the increase in the number of workers, the demand for consumer goods will increase. If the latter (including the demand of the increased number of workers) are processed from farm produce and sideline products as raw and semi-finished materials, the money purchasing power which is put on the market to purchase farm produce and sideline products cannot immediately be drawn from circulation by relying on selling the purchased farm produce and sideline products, because here there similarly exist the "time difference" in allocating and processing the purchased farm produce and sideline products.

Several Problems Which Require Attention in the Current Increasing of Investment

1. Speed must be subject to the aim of socialist production.

The growth of production without a certain rate (the growth rate is zero or minus) does not tally with the socialist basic economic laws and the aim of socialist production. First, financial revenue is determined by the growth of production. The growth of production without a certain rate will be unable to boost revenue and invest, but on the contrary, will interfere with the further growth of production. Second, the ever-increasing growth of the people's consumption is also determined by the growth of production. If there is no increase in production, we will be unable to meet the ever-growing material and cultural needs of the people. However, increasing investments with the aim of one-sidedly seeking a high speed in production will also not accord with the aim of socialist production: first, while output value is taken as the target for calculating the growth rate, speed for speed's sake will very often encourage the departments and enterprises to increase production not for social needs and encourage them to include the low-quality, high-consumption and unmarketable products in output value. In appearance, the growth rate is high, but in fact this practice is a reduction in social wealth. As a result, there is an increase in production but no improvement in the people's livelihood. Second, while production is carried out for production's sake, speed and even a high speed can be achieved, but this will lead to high accumulation and low consumption. Its failure to meet the ever-increasing consumption needs of the people will inevitably dampen the enthusiasm of the laborers for labor, and as a result, a sustained and steady increase in production cannot be ensured. Therefore, increasing investments so as to ensure a certain growth rate in production should be based on the socialist economic goals and tally with the aim of socialist production, a rate which can be attained on a condition of a proper economic ratio and a rational industrial structure.

2. In finance, speeding must be kept within the limits of income and a basic balance must be ensured.

At the present stage of economic readjustment, the basic balance between revenue and expenditure is achieved mainly by relying on reducing expenditure rather than boosting revenue. In order to solve this problem, on the one hand, it is necessary to control the financial allocations for capital construction and on the other, in investment channels, it is foreseeable to make some readjustments which are suited to the changes in the situation in the relationships between the central authorities and the localities, between the state and the enterprises and between finance and banking and to set our eyes on the lower levels and discover more investment resources. For instance, it is advisable for the localities which have relatively large amounts of business income to undertake more responsibility for some of the investment in the medium- and small-sized enterprises and nonproductive investment; it is advisable for the enterprises which have relatively large amounts of officially listed capital to undertake more responsibility for some of the investment for the replacement and renovation of equipment and technical transformation; and it is advisable for banks through granting loans to undertake more responsibility for some of the investment for some projects which require less money but produce quicker results. In this way, while not increasing the total amount of investment by too big a margin, the financial departments at the central level can save some financial resources to be used in key units in the exploitation of energy and the building of communications facilities (the utilization of foreign capital is mainly aimed at this aspect) so as to make some preparations for long-term development.

3. Banks should fully utilize social funds.

The utilization of social funds through banks should be carried out on a prerequisite of a balance between revenue and expenditure in both finance and credit. It is not allowable to break through the frame of maintaining a balance between revenue and expenditure but it is allowable and what is more, imperative to break through the restrictions of the state financial allocations being regarded as the only source of investment for capital construction. Apart from the local financial resources, the attention must be focused on putting the funds of enterprises and bank credits to possibly good use. Absorbing social funds through banks and appropriately increasing investment in capital construction means turning a part of excessive consumption funds into accumulation funds and readjusting the ratio of the two so as to adapt it to the production of the two big categories which was suited to the original economic structure.

While money and material objects suit each other, the advantages for doing things in this way are: first, in regard to the savings deposits of the residents in the urban and rural areas, this practice means postponing this period's consumption to the future and turning this part of consumption funds into investment which is used in production and construction, thus easing up the current strain in the supply of consumer goods on the one hand and creating conditions for long-term consumption growth on the other; second, absorbing through banks the officially listed capital of enterprises and using it in

granting loans in a planned way also means serving as a control of the excessively rapid growth of consumption, because on the one hand, it can prevent the excessive distribution of bonuses and on the other, can use the funds in renovation and transformation, in rational extension and reconstruction and in running the various kinds of economic integration or in making investments in other enterprises and can thus further avoid blind production and construction.

In absorbing and utilizing social funds, banks should adopt positive measures. In absorbing savings deposits, banks should set additional networks, use the lever of interest to absorb social funds as far as possible and serve production and construction. In granting loans, it is necessary for banks to judge, according to certain data, how many social funds can be used as long-term loans or medium-term loans so as to largely suit them to the long-term, fixed and current deposits which are necessary to gradually realize the transition from making an investment with loans free from paying interest to making an investment with loans which have to be repaid with interest. The forms for organizing social funds are many: for example, establishing investment companies, running trust operations and so on. These practices seem to be the exchange between idle funds and savings deposits but are, in fact, a way to acquire and accumulate funds and to improve the use of funds in order to make full use of the funds.

4. In making an investment, economic effect should be studied.

At present, in considering increasing investments, special stress should be put on the proper use of money and the improvement of the returns on investment. It seems that in the orientation of investment, it is necessary to give priority to the production of consumer goods and energy conservation, and in the contents of investment, it is necessary to take the replacement and renovation of equipment and technical transformation as the dominant factor. This is a strategic choice for economic development at the present stage. Its advantages and disadvantages are as follows: first, submitting to the guidance of macroeconomic plans, increasing the production of the products whose demand exceeds supply and further controlling the production of the products which are in excessive supply, so as to ensure a balance between supply and demand. Second, shifting from giving priority to expanded reproduction by extension to giving priority to expanded reproduction by intensification, economizing on the use of funds and materials and effectively utilizing the means of production so as not to broaden the contradiction between money and materials. Third, pushing the transformation of the structure of heavy industry forward and enabling the machine-building industry to gradually serve the replacement and renovation of equipment and technical transformation of light industry, agriculture, communications and national defence, serve its own renovation and transformation and serve the overall modernization of the technology and equipment of the national economy. Fourth, producing quicker and better results and being conducive to increasing financial revenue and the income of enterprises. In order to raise the economic effect, it is still necessary, in such fields as designing and construction, to adopt positive measures, vigorously reorganize enterprises, improve the operations and management, carry out the economic responsibility system and

conscientiously solve the problem of long construction cycles and high construction costs.

5. In drawing up plans, a good job should be done in overall balance.

The changes in the economic situation and in the management system require the work of planning to constantly keep pace with the changed situation and to conscientiously achieve an overall balance. In the past, the plans for capital construction only took into consideration those funded with state financial allocations and the remaining part was regarded as being outside the plans. Now that the number of investments made outside the plan is becoming larger and larger, it is imperative, after drawing a clear demarcation line between capital construction and noncapital construction, to bring the non-budgetary capital construction, including different fund resources and units under different ownership systems, into line with the state plans and work out a comprehensive plan for capital construction. If possible, it is best to draw up on a trial basis comprehensive plans for fixed assets and for production capacity and gradually bring the overhauling, replacement and renovation, transformation, reconstruction, extension and new construction (that is, compensation and expansion) of the various departments and the fluctuations and balance of the production capacity of the major products into line with planned management. At the same time, we must not only formulate a static balance plan for the fixed assets of the national economy but also work out a dynamic balance plan for the fixed assets of the national economy.

In line with this, owing to the diversification of funds resources, we must work out a comprehensive plan for financing and must balance in a unified way the finances of the central authorities and the localities, financial and credit revenue and expenditure, state funds and the funds of enterprises, collective funds and the cash income and expenses of the residents. In order to ensure the fulfillment of the above-mentioned plans, it is necessary to concurrently work out a comprehensive plan for materials so as to ensure the coordinated movement between money and materials. It is already understood that doing a good job in these balances is not the business of a certain department or level. The various departments must exert concerted efforts and give full play to their role in doing a good job of these balances. At the same time, to do a good job in these balances, we must not only rely on planned management but also further adopt the related economic policies, economic measures and economic legislation.

In short, at present and in the future, in appropriately expanding the scope of capital construction, so long as we have correct guiding ideology, do a good job in the overall balance, and increase investments, we will possibly achieve good results in steadily promoting economic growth and increasing financial revenue.

Original draft: November 1981. Revised draft: February, 1982.

CSO: 4006/532

## NATIONAL POLICY AND ISSUES

### WAYS TO REFORM ECONOMIC RESPONSIBILITY SYSTEM SUGGESTED

Beijing GONGREN RIBAO in Chinese 26 Apr 82 p 1

[Report: "Great Success in China's Reform of Economic Responsibility System in Industry and Communications"]

[Text] Over 80 percent of the enterprises in the industrial and communications system in our country have implemented the system of economic responsibility in production. What are the results achieved by industry and communications in this great reform? How can this reform be carried out to the end? For these reasons we visited the State Economic Commission.

The person in charge in the concerned department of the State Economic Commission said that the implementation of the economic responsibility system has enabled industry and communications to break through the restrictions of the present management system, altered the appearance of enterprises, influenced reforms in the various realms of production, distribution and circulation, aroused the enthusiasm of enterprises and staff workers, promoted the growth of production, and played an important role. Practice has proved that its direction is correct and its results are tangible. In the course of reform some problems have appeared that need to be promptly resolved. For this reason, the State Economic Commission made a six-point proposal to further perfect the economic responsibility system on the basis of the 3 years of experience of searching and experimentation.

First, correctly implement the guiding ideology of the economic responsibility system and comprehensively understand the meaning and substance of the system. The economic responsibility system cannot be understood as purely a profit-contract system or as merely a solution to the problem of distribution; it is the unity of economic responsibility, economic rights and interests we can fully arouse the enthusiasm of enterprises and staff workers, propel enterprises to improve economic management, do well in technical transformation, tap internal potential, and increase economic benefits. This is the starting and finishing point of carrying out the system of economic responsibility.

Second, combine the implementation of the economic responsibility system and the strengthening of planned management. For various complicated reasons such as irrational prices and revenue, the amount of profits generated by enterprises cannot totally reflect the level of their business management. Thus the economic responsibility system must be combined with planned management. All

tasks assigned by the state must be resolutely completed. Besides handing over profits to the state, based on their own characteristics enterprises must also be responsible for targets such as output, quality, variety, allocations in a written plan, cost and consumption and carry out overall checking.

Third, correctly handle the relationship between the interests of state enterprises and staff workers, adhere to the principle of first safeguarding a greater share for the state. The increase in reinvestment profits of enterprises cannot exceed the increase in production and profits, and we must also guarantee that the state gets a greater share. Under this prerequisite, enterprises are given the economic benefits they should have to satisfy their certain needs to maintain reproduction and their necessary renewal, transformation and development of new products. Of course, we must check and decide this on the basis of concrete conditions of different regions, trades, and types of enterprises.

Fourth, it is necessary to strengthen planned guidance and supervision of enterprises as well as to create the necessary external conditions for them. Concerned departments must change their habits and take the initiative to reform the basic departments which are still unsuited to newly arisen conditions and certain regulations in carrying out the economic responsibility system. The departments in charge at all levels of industry and communications must confer on enterprises varying degrees of rights of management decision-making; help enterprises to do well in unifying production, supply and sales; cooperate with financial departments to rationally determine the base figures and ratios of reinvestment profits and the profit-contract system of enterprises, and regulate the "disparity in hardship and happiness" among them; carry out overall planning of technical transformation of enterprises, and make rational arrangements for use of capital funds for production growth of enterprises; formulate means and standards for the overall examination of enterprises; and strengthen the inspection and supervision of financial and economic discipline.

Fifth, combine the perfecting of the economic responsibility system with the strengthening of reorganizing enterprises, the improvement of management and administration, and the effort to do a good job of technical transformation. Only by building and perfecting the various types of basic work in management and administration of enterprises can we enable the economic responsibility system to truly build on the basis of scientific management and to attain sustained and tangible economic results.

Sixth, adhere to the principle of putting ideology in the lead and vigorously strengthen ideological and political work. In the relationships in the system of economic responsibility to achieve the vital interests of enterprises and staff workers, many new contradictions and problems encountered in practice need to be better understood, correctly dealt with and properly handled through ideological and political work.

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CSO: 4006/455



## ECONOMIC PLANNING

### MAIN FIGURES IN 1982 DRAFT STATE BUDGET REPORTED

Beijing ZHONGGUO NONGMIN BAO in Chinese 9 May 82 p 3

[Article: "Our State Finance and Economy Continue To Improve"]

[Text] The 1981 final state accounts are being worked out level by level. According to preliminary figures collected, the total revenue is 106.43 billion yuan and the total expenditure is 108.97 billion yuan. The accounts show a balance, with expenditure greater than revenue by 2.54 billion yuan. Both revenue and expenditure are slightly higher and the deficit is slightly lower than the original estimates. The overall situation is good.

In the present draft of the 1982 state budget estimates already drawn up, the total revenue is 110.45 billion yuan and the total expenditure is 113.45 billion yuan. The accounts show a balance with expenditure greater than revenue by 3 billion yuan.

The total revenue in the 1982 state budget is 4.02 billion yuan higher than last year.

The total expenditure in the 1982 state budget is 4.48 billion yuan higher than last year. The various types of major expenditure are as follows:

Allocation for capital construction: 29.73 billion yuan;

Funds for tapping the potential of enterprises and transforming enterprises as well as expenses for trial production of new products: 5.42 billion yuan (basically similar to last year);

Additional circulating funds allocated for enterprises: 2.4 billion yuan;

Expenditure subsidizing rural people's communes and various types of agricultural operating expenses: 7.61 billion yuan (somewhat higher than last year);

Operating expenses for culture, education, health and science: 18 billion yuan;

Expenditure for national defense and war preparedness: 17.87 billion yuan (an increase of 1,070,000,000 yuan over last year);

Administrative and management expenses: 7.8 billion yuan (an increase of 560 million yuan over last year);

Total reserves: 2.7 billion yuan;

Payment of principal and interest on foreign loans: 3.55 billion yuan.

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## ECONOMIC PLANNING

### SHANDONG 1981 NATIONAL ECONOMIC PLAN RESULTS

HK060945 Jinan DAZHONG RIBAO in Chinese 16 Jun 82 p 2

[Shandong Provincial Statistical Bureau report on results of province's 1981 national economic plan]

[Text] In 1981, under the leadership of the Party Central Committee, the State Council, and the Provincial CCP Committee and the Provincial People's Government, various areas and departments in our province seriously carried out the guidelines of making further economic readjustments and seeking further political stability. The situation was very favorable, as far as the national economy of the whole province was concerned. New achievements were scored in various fields of endeavor. The province began embarking on the road to steady development, based on fixed prices in 1980, total industrial and agricultural output value for 1981 reached 54.55 billion yuan, an increase of 4.2 percent compared with the preceding year. National income based on initial estimates registered an increase of 3 percent compared with the preceding year. Despite unusually serious drought, a relatively good harvest was achieved in agricultural production for the whole province. Industrial production in the process of being readjusted maintained a fixed pace of growth. The scale of capital construction was reduced by a relatively large extent. Urban and rural markets thrived. A balance between revenue and expenditure was basically achieved. There was further improvement in the people's livelihood. But economic returns from industrial production were relatively poor. Heavy industrial production showed a relatively big drop. Commodity supplies and demand were not sufficiently balanced. The prices of certain commodities went up.

The results of the execution of the national economic plan for the province in various sectors were as follows:

#### 1. Agriculture

In 1981, our province experienced a drought of a seriousness not witnessed for several decades, causing great difficulties in agricultural production. But due to the serious implementation of the various economic policies of the party and the government, and due to the further establishment and improvement of various versions of the production responsibility system and the energetic development of a diversified economy, the masses of peasants' enthusiasm for

production was aroused. A relatively good harvest was still achieved in agricultural production. Based on fixed prices in 1980, total agricultural output value reached 20.19 million yuan--an increase of 4.1 percent compared with the preceding year--the annual plan was fulfilled by 105.4 percent. In 1981, due to a long period of drought and the reduced area planned to grain, grain output showed a slight drop. On the basis of continuous increases in output, major economic crops and cotton in particular again showed big increases. Relatively quick development also marked the diversified economy of rural communes and brigades and family sideline occupations of commune members.

	1981	Percentage Increase Over Preceding Year
Grain	46.25 billion jin	- 3.0
Including: wheat	17.4 billion jin	13.6
corn	15.88 billion jin	- 3.8
sweet potatoes	8.57 billion jin	-22.9
cotton	13.5 million dan	25.6
Oil-bearing crops	28.428 million dan	- 0.6
Including: peanuts	27.79 million dan	- 1.1
rapeseed	0.342 million dan	144.6
hemp	1.294 million dan	-60.5
Silkworm cocoons	0.255 million dan	-24.5

The total afforested area for the whole province was 0.843 million mu a drop of 29 percent compared with the preceding year. The actual area planted with seedlings at the end of the year was 0.37 million mu a drop of 35.5 percent compared with the preceding year. In some areas, there existed the situation of freely felling trees.

Output of major animal products for 1981 showed an increase. The number of large animals on hand toward the end of the year registered a relatively big increase, reversing the situation marked by a decrease over a long period of time. There was a drop in the number of pigs and sheep toward the end of the year, compared with the preceding year.

Output of major animal products and the number of livestock was as follows:

	1981	Percentage Increase Over Preceding Year
Total Output of pork, beef and mutton	1.925 billion jin	6.8
Comprising: pork	1.828 billion jin	6.1
beef	0.024 billion jin	37.8
mutton	0.073 billion jin	19.5
milk	27.66 million jin	3.4
sheep wool	19.51 million jin	10.6
hogs slaughtered	12.968 million head	4.4
hogs on hand at end of year	19.011 million head	-10.0
Number of large animals on hand at end of year	10.256 million head	-1.5

Total output of aquatic products was 589,900 tons, a drop of 4.8 percent compared with the preceding year, with the annual plan being fulfilled by 113.4 percent. Of this, freshwater products accounted for 49,500 tons, an increase of 1.6 percent over the preceding year. Marine products accounted for 540,400 tons. Due to the protection of offshore resources, the control of fishing and other factors, output dropped 5.3 percent.

In 1981, the level of agricultural mechanization was raised. The total capacity of agricultural machinery in the province was 20.775 million hp, an increase of 11.4 percent compared with the preceding year. There were 125,000 units of large and medium-sized tractors for agricultural purposes, an increase of 9.2 percent compared with the preceding year. The number of small-sized and hand-operated tractors reached 126,000 units, an increase of 12.4 percent compared with the preceding year. There was a maintained capacity of 9.845 million hp in irrigation and drainage machinery for agricultural use, an increase of 6.7 percent over the preceding year. There were 11,000 trucks for agricultural purposes, an increase of 51.6 percent compared with the preceding year. The number of other small-sized farm machines and tools showed relatively big increases. The annual area plowed by tractors reached 63.904 million mu or 59 percent of the cultivated area. The annual (net) amount of chemical fertilizer applied in agriculture was 1.464 million tons, averaging 27 jin for each mu of cultivated land, an increase of 8 percent compared with the preceding year. Rural consumption of electricity showed an increase of 30.7 percent compared with the preceding year.

In 1981, to counter the scarcity of rain and serious drought in the province, the meteorological department energetically offered its services. It contributed toward fighting and preventing natural disasters and wresting a bumper harvest in agriculture.

## 2. Industry

In 1981, industrial production maintained a fixed rate of growth in the course of readjustment. Based on fixed prices in 1980, total industrial output value for the province reached 34.359 billion yuan, an increase of 4.2 percent compared with the preceding year, with the annual plan being fulfilled by 102.4 percent.

In 1981, there was further readjustment in the composition of industry. Due to the energetic development of the production of consumer goods for daily use, light industrial output showed a relatively big increase. The annual light industrial output value reached 19.419 billion yuan, an increase of 15 percent compared with the preceding year. The percentage of light industrial output value in total industrial output value rose from 51 percent in the preceding year to 56.52 percent. Annual output plans for 32 of the 38 major light industrial products included in plans were fulfilled and overfulfilled. Of these, 25 showed relatively big increases.

Output of major light industrial products was as follows:

	1981	Percentage Increase Over Preceding Year
Yarn	249,500 tons	7.2
Cloth	1.174 billion meters	8.0
Chemical fibers	8,127 tons	19.2
Including: synthetic fiber	6,195 tons	28.9
Woolen goods	4.3091 million meters	31.8
Silk knit goods	40.91 million meters	2.1
Gunnysacks	46.52 million	12.9
Machine-made paper and cardboard	351,700 tons	- 4.3
Sugar	20,700 tons	34.1
Beer	96,600 tons	20.7
Crude salt	3.2035 million tons	33.9
Synthetic detergent	32,200 tons	32.2
Bicycles	1.6045 million	38.0
Sewing machines	749,800	63.3
Wrist watches	2.2161 million	62.5

	1981	Percentage Increase Over Preceding Year
Television sets	130,300	42.3
Radio sets	2.1044 million	10.7
Washing machines for home use	143,100	313.3
Electric fans	312,300	-21.1
Electric bulbs	49.5523 million	- 8.0

In 1981, further readjustments were made in the orientation of heavy industry service and the product mix. Output of products in excessive supply was reduced and that of products in short supply was increased. A number of enterprises with poor quality, high consumption of raw materials and big losses were closed down. In a planned manner, the state readjusted the production of some heavy industrial products. Heavy industrial output value for the whole year was 14.941 billion yuan. A drop of 7 percent compared with the preceding year. Of 62 major heavy industrial products included in the plans, plans for output of 55 were fulfilled or overfulfilled. Compared with the preceding year, output of 23 kinds of showed increases. In the past year, there was planned reduction of the output of steel, iron, iron ore, calcium carbide, metal cutting machine tools, tractors with a capacity of 20 hp and above and other products. There was a rapid increase in the output of strip steel, thin boards, rubing for pedicabs and bicycles and other products serving the light industrial market.

Output of major heavy industrial products was as follows:

	1981	Percentage Increase Over Preceding Year
Raw coal	41.3052 million tons	- 3.7
Crude petroleum	16.1119 million tons	- 8.4
Natural gas	1.043 billion cubic meters	-22.2
Electrical energy production	19.449 billion kilowatt- hours	4.6
Rolled steel	738,900 tons	- 5.6
Pig iron	1.1844 million tons	-16.3
Steel	865,700 tons	- 3.9
Coke	2.4857 million tons	-17.1

	1981	Percentage Increase Over Preceding Year
Cement	6.0032 million tons	5.1
Plate glass	2.2452 million standard boxes	22.3
Sulphuric acid	482,500 tons	5.4
Soda ash	203,200 tons	8.1
Caustic soda	114,400 tons	- 5.8
Chemical fertilizers	1.0544 million tons	- 8.0
Including: nitrogen fertilizer	874,300 tons	-11.8
phosphate fertilizer	180,200	16.2
Chemical insecticides	28,900 tons	- 8.3
Polyvinyl chloride	10,800 tons	15.4
Calcium carbide	58,800 tons	-12.5
Tires	891,100	-40.5
Transformers	1.3989 million kilo- voltamperes	11.6
Pumps for industrial use	17,900	13.7
Machine tools	5,710	-27.3
Motor vehicles	10,100	- 9.6
Tractors (20 H.P. and above)	6,927	-49.7
Small tractors	23,200	4.9
Internal combustion engines	2.3946 million hp	-27.6

In 1981, the quality of major industrial products showed an improvement. The province was honored with prizes for 24 kinds of products--prizes being gold and silver plates. Seventy-nine of its products were assessed to be of good quality by the central department in charge. Two hundred and twenty-five were assessed at the provincial level as of good quality. The whole province trial-produced and produced over 1,300 kinds of new products. There were over 20,000 new varieties.

In the past year, there was a relatively large drop in heavy industrial production. Production conditions of the energy industry were not sufficiently satisfactory. Industrial economic returns were relatively poor. The labor productivity of each full-time worker in the provincial industrial enterprises with independent accounting and owned by the whole people was 13,161 yuan, a drop of 1.5 percent compared with the preceding year. The cost of comparable products was 1.7 percent higher than the preceding year. The profit (including the two fees [Liang Fei 0357 6316] from each 100 yuan worth of output was 15.23 yuan, a drop of 2.7 percent compared with the preceding year. The amount of liquid capital committed to each 100 yuan worth of output was 28.62 yuan, an increase of 2.4 percent compared with the preceding year. In addition, certain enterprises blindly pursued output value and output without paying attention to the quality of products and to variety, causing the stocks of certain products to pile up.

### 3. Capital Construction

In 1981, the scale of provincial capital construction was reduced by a relatively large degree. Returns from investments showed a marked improvement. The amount of investment in completed capital construction projects by the units owned by the whole people for the whole year was 1,808 billion yuan, a reduction of 32.9 percent compared with the preceding year. In this amount, there was an investment of 830 million yuan from the state budget, a reduction of 22.5 percent compared with the preceding year. Newly added fixed assets were worth 1.59 billion yuan. The percentage of fixed assets being put to use was 88.2 percent, an increase of 21 percent compared with the preceding year. This year had the highest use rate since 1966.

In 1981, the main sources of newly added capacity in the province were: an installed electricity generation capacity of 261,000 kilowatts; 774 kilometers of transmission lines (110,000 volt and above); 3.6 million tons of coal and charcoal extracted; 710,000 tons of petroleum tapped; 199,000 tons of cement; 6,500 tons of machine-made paper and cardboard; 6,500 tons of synthetic detergents; 50,000 television sets; 52.5 kilometers of railroad; 100,000 tons of loading and unloading capacity at newly-built and expanded ports; and a reservoir capacity of 2 million cubic meters.

In 1981, conditions of the completion and operation of projects fixed for our province by the state were relatively satisfactory. There were eight large and medium-sized projects fully or partially completed and put into operation in the whole year. They were: projects each of 125,000 kilowatts at the no 2 unit of the Huangdao Electric Power Plant and the no 3 unit of the Shiliquan Electric Power Plant; 8 million tons of coal extracted by the Xinglongzhuang Pit of the Yanzhou Mining District; 100,000 tons of a special kind of cement produced by the Shandong Aluminum Factory; the blooming of 300,000 tons of steel and the finish rolling of 150,000 tons of steel at one time by the Jinan Iron and Steel Works; the tapping of 710,000 tons of crude oil by the Shengli oilfield; 30,000 tons of crude salt by the Yangkou saltworks; and 210,000 kilovolt-amperes of transforming equipment of a Shandong transmission and transformer project.

In 1981, the direction for the use of invested capital was further readjusted. The proportion of investment in nonproductive construction projects kept rising. Of the total amount invested in capital construction, 1.17 billion yuan was devoted to construction of a productive nature. The percentage accounted for by productive construction dropped from 72.7 percent in the preceding year to 64.7 percent. An amount of 640 million yuan was invested in workers' housing, cultural, educational and public health undertakings, urban construction and other nonproductive projects to meet the material and cultural needs of the people in their everyday lives. The percentage accounted for by this rose from 27.3 percent in the preceding year to 35.3 percent. Of the total amount of investment in capital construction, that accounted for by light and textile industries rose from 9.5 percent in the preceding year to 16.8 percent.

In 1981, an investment of 1.16 billion yuan was made in projects owned by the whole people and other projects, an increase of 270 million yuan, or 30.4 percent, compared with the preceding year. Newly added fixed assets reached 830 million yuan. The percentage of those fixed assets being put to use was 71.5 percent.

In 1981, geological prospecting work showed further development. The geological department made a general geological survey of the whole province's mineral products and achieved certain results. The known deposits of such minerals as petroleum, coal, iron, cobalt, molybdenum, refractory clay, sulphur, iron, and so forth showed increases compared with the preceding year. Of these, there were newly found deposits of 85.84 million tons of iron and 1.3 billion tons of coal. The actual annual distance of drilling and prospecting work was over 300,000 meters.

#### 4. Communications and Transportation

In 1981, the length of provincial railroad open to traffic reached 1,582 kilometers, an increase of 171 kilometers compared with the preceding year. The length of highway open to traffic reached 35,400 kilometers, an increase of 81.2 kilometers compared with the preceding year. The length for inland navigation reached 1,849 kilometers.

In 1981, total freight volume handled by various means of transport reached 31,941 billion ton-kilometers, an increase of 2 percent compared with the preceding year. Of this, the volume of railroad freight transport was 26.331 billion ton-kilometers, an increase of 1 percent compared with the preceding year. The volume of road freight transport was 4.093 billion ton-kilometers, an increase of 2.2 percent compared with the preceding year. The volume of waterway cargo transport was 1.516 billion ton-kilometers, an increase of 22.6 percent compared with the preceding year.

In 1981, the volume of passenger transportation completed by various means of transport was 11.366 billion person-kilometers, an increase of 7 percent compared with the preceding year. The volume of railroad passenger transportation was 7.27 billion person-kilometers, an increase of 7.4 percent compared with the preceding year. The highway passenger volume was 4.077 billion



person-kilometers, an increase of 6.2 percent compared with the preceding year. The volume of waterway passenger transportation was 16.22 million person-kilometers, a drop of 1.34 percent compared with the preceding year.

In 1981, the provincial postal routes reached a length of 228,200 kilometers, an increase of 3,185 kilometers compared with the preceding year. The total volume of postal and telecommunications transactions reached 73.921 million yuan, an increase of 3.4 percent compared with the preceding year. In regard to various services, the number of letters handled showed an increase of 0.9 percent. The number of newspapers distributed dropped 3.9 percent compared with the preceding year. The number of cable messages handled rose 11.2 percent over the preceding year. The number of long distance telephone calls showed an increase of 0.5 percent over the preceding year.

At present, communications and transportation remain a weak sector in the national economy. There is a relatively great strain put on railroad transportation. The utilization rate for car transportation is low. The loading and unloading capacity of ports is inadequate.

## 5. Domestic Commerce

In 1981, with the further readjustment of the national economy, the urban and rural markets thrived. Commodity prices basically remained stable.

In 1981, the total value of net purchases by commercial departments owned by the whole people reached 18.58 billion yuan, an increase of 10 percent compared with the preceding year. Of these purchases, industrial products accounted for 10.69 billion yuan, an increase of 8.7 percent compared with the preceding year. The total value of agricultural and subsidiary products purchased reached 7.8 billion yuan, an increase of 11.8 percent compared with the preceding year (or an actual increase of 7 percent with the increased purchase prices for agricultural and subsidiary products taken into account). Purchases of staple commodities were all higher than the preceding year. For grain, the increase was 2.1 percent; for edible vegetable oil, 3.5 percent; for live pigs, 17.7 percent; for mutton, 96.2 percent; for cotton, 25.1 percent; for flue-cured tobacco, 31.1 percent; for cotton cloth, 3 percent; for cotton jerseys and trousers, 14.9 percent; for woolen goods, 81.9 percent; for sewing machines 62.6 percent; for wrist watches 83.8 percent; and for bicycles, 35.3 percent.

In 1981, the total volume of retail sales for social commodities reached 16.48 billion yuan, an increase of 14.8 percent compared with the preceding year, or an actual increase of 12.8 percent, with the increased retail prices taken into account. The retail sales for major consumer goods all rose over the preceding year. For grain, the increase was 29.3 percent; for edible vegetable oil, 31.4 percent; for mutton, 33.4 percent; for chemical fibers and blend fabrics, 38.7 percent; for woolen goods, 38.1 percent; for sewing machines, 51.5 percent; for wrist watches, 43.1 percent; for bicycles, 19.6 percent; and for television sets, 65.7 percent.

At the end of 1981, the total volume of commodities held in stock by commercial undertakings owned by the whole people showed an increase of 8.3 percent as compared with the end of the preceding year.

Collectively and individually operated commercial undertakings showed rapid growth. In the total retail sales of social commodities in 1981, the sales accounted for by the collective economy showed an increase of 40.3 percent; those joint ventures increased by 60 percent; and those by the individual economy increased by 84.2 percent. Country fair trade also showed relatively great growth. At the end of the year, country fair trade of the whole province was taking place at over 3,900 places. The total turnover of country fair trade showed an increase of 21.2 percent compared with the preceding year.

In 1981, the general provincial level of retail prices of commodities rose 1.8 percent compared with the preceding year. The increase in the retail prices of state-owned commercial undertakings was 1.7 percent; that of commodities sold at negotiated prices, 1.1 percent; and that of prices of consumer goods at country trade fairs, 616 percent. Retail prices of commodities rose more in cities than in the countryside. The increase for cities was 1.9 percent and that for the countryside 1.4 percent. In the index of retail prices for consumer goods, the level for foodstuffs went up 3.2 percent; that for daily necessities 0.8 percent; and that for articles used for recreational purposes 0.1 percent. The level for medicines went down 0.8 percent and that for clothing down 0.6 percent.

In 1981, because of the upward adjustment of the purchase prices for beans, tobacco leaves, eggs, pelts, vegetables and other agricultural and subsidiary products, coupled with the large increase in the volume of agricultural products purchased at negotiated prices, or at higher prices for a quantity exceeding a given quota, the general provincial index for the purchase prices of agricultural and subsidiary products increased 4.5 percent compared with the preceding year. The index for fixed list prices rose by 2.3 percent.

In 1981, despite a substantial increase in the sources of commodities for the market, there was still a gap between supplies and the ever-increasing purchasing power. The supply of famous products in particular fell short of demand.

## 6. Foreign Trade and Tourism

In 1981, foreign trade showed further development. Total exports for the whole province reached \$1.9 billion, an increase of 7.3 percent compared with the preceding year. The total volume of imported commodities reached \$85.36 million, a drop of 21.9 percent compared with the preceding year. Of the volume of exported commodities, the percentage accounted for by agricultural products, foodstuffs, minerals, and so forth rose from 46 percent in the preceding year to 50.4 percent. The percentage represented by finished products in the machine-building, light, textile, chemical, metal and other industries showed appropriate drops. Of the imported commodities, the percentage

accounted for by finished industrial products showed an increase compared with the preceding year.

In 1981, our province received 26,900 foreigners, overseas Chinese and Hong Kong and Macau compatriots who came on sightseeing and inspection tours or on trips to visit relatives and friends or who came on trips connected with trade, scientific or cultural exchange activities. The total annual foreign exchange income from tourism was the equivalent of 6.447 million yuan, an increase of 21 percent compared with the preceding year. The number of beds provided by the province for foreign guests showed an increase over the preceding year.

## 7. Science, Technology, Education and Culture

In 1981, units owned by the whole people in the province had a total of 377,400 scientific and technical personnel in various fields, an increase of 18,000 compared with the preceding year. Of these, 256,300 technical personnel were in natural sciences and 121,100 were in social sciences. The whole province achieved results in 891 scientific and technical research projects. Of these, 401 were major research projects. The scientific research results in some cases reached the advanced national and international levels.

In 1981, the structure of the education was readjusted. The quality of teaching showed an improvement. There were 59,600 students in institutes of higher learning, an increase of 8,218 compared with the preceding year. There were 63,800 students in technical secondary schools, a drop of 4,747 compared with the preceding year. There were 3.6145 million students in ordinary secondary schools, a drop of 464,500 compared with the preceding year. There were 7,025 students in vocational middle schools, an increase of 5,261 compared with the preceding year. There were 29,600 students in schools for technical workers, a drop of 2,603 compared with the preceding year. There were 10.1762 million primary school students, a drop of 240,800 compared with the preceding year. There were 929,400 children educated in kindergartens, a drop of 158,800 compared with the preceding year.

In 1981, the whole province became more flourishing in literature and art, films, dramas, broadcasting, television, newspapers, magazines, and publishing. The province made new contributions toward enriching the spiritual life of the people. It had 5,919 film projection units of various kinds, 157 art ensembles, 143 cultural offices, 2,099 cultural stations, 13 mass art centers, 89 public libraries and 9 museums. The province had a total of 3 radio stations and 21 transmission and relay stations. It had 2 television stations and 11 television transmission and relay stations. There were published in the year, 347 million copies of newspapers, 18.65 million copies of magazines of various kinds and 266 million copies of books.

## 8. Public Health and Sports

In 1981, the sanitation undertakings showed improvement in the quality of medical treatment and the results achieved. The province had 128,800 sick-

beds, an increase of 1.1 percent compared with the preceding year. There were 178,500 specialized public health technical workers, an increase of 5.8 percent compared with the preceding year. Of these, doctors of western medicine numbered 32,000, an increase of 24.7 percent compared with the preceding year; doctors of traditional Chinese medicine numbered 6,704; head nurses 3,541; and nurses 25,000. The cure rate for various diseases was higher than before. But there was a relatively short supply of sick-beds in urban and rural hospitals. The supply fell short of the needs of the broad masses of people requiring medical treatment.

In 1981, sports activities showed new growth. There were 981 sports contests at and above the country level organized by the whole province, with 238,700 people participating. In the whole year, 520,800 people measured up to the state standard for physical training. There were 550 people cited as fine sportsmen.

#### 9. The Living Standard of the People

With the development of industrial and agricultural production, the living standard of people in urban and rural areas has shown continuous improvement. According to an investigation of the family income and expenses of 827 peasant households in 29 counties of the province, the average per capita income for peasants in 1981 (including income from agriculture and sideline occupations and income obtained after redistribution) was 231.5 yuan, an increase of 19.1 percent compared with the preceding year. In 1981, the average per capita income from collective distribution of the commune members in the countryside of the province was 125.5 yuan, an increase of 19.3 percent compared with the preceding year.

In 1981, the urban and rural areas of the province placed a total of 283,000 unemployed youths and graduates from colleges and secondary technical schools for the year and who were subject to assignment by the state in a unified manner. Of these, 195,000 were assigned to units owned by the whole people and 34,000 to large collective enterprises at and above the county level. At the end of the year, the number of workers in enterprises owned by the whole people and urban collectively owned enterprises reached 5.4 million, an increase of 257,000 compared with the preceding year. Of these, the workers in enterprises owned by the whole people numbered 4.11 million, an increase of 207,000 over the preceding year. The number of workers in urban collectively owned enterprises was 129,000, an increase of 50,000 compared with the preceding year.

In 1981, the total amount of wages for the workers of the whole province was 3.96 billion yuan, an increase of 6.75 percent compared with the preceding year. Of this amount, the total wages for workers of enterprises owned by the whole people reached 3.12 billion yuan, an increase of 6.74 percent compared with the preceding year. The total wages for workers of urban collectively owned enterprises reached 840 million yuan, an increase of 6.8 percent compared with the preceding year.

In 1981, the average cash wage of the workers of the whole province was 755 yuan each, an increase of 1.3 percent compared with the preceding year. The average pay for workers of enterprises owned by the whole people was 782 yuan and that for workers of urban collectively owned enterprises was 667 yuan. In 1981, the bonuses given to the workers of enterprises owned by the whole people reached 316 million yuan, an increase of 27.5 percent compared with the preceding year. The amount of piece rate wages for work exceeding a quota reached 44.263 million yuan, an increase of 250 percent over the preceding year.

At the end of 1981, the savings of urban and rural residents reached 3.915 billion yuan, an increase of 33.7 percent compared with the end of the preceding year. Of the deposits, the amount accounted for by residents of cities and towns was 1.475 billion yuan, an increase of 27.2 percent compared with the end of the preceding year. That accounted for by rural residents was 2.44 billion yuan, an increase of 37.9 percent compared with the end of the preceding year.

In 1981, the area of new residential housing completed by units owned by the whole people and urban collectively owned units was 47.1 million square meters. Rural housing conditions showed a big improvement. According to an investigation of 827 peasant households in 29 counties of the province, 12.6 percent of those households built new housing, with each household averaging 3.2 rooms.

There still existed some problems in regard to the livelihood of the people. Certain enterprises were not rational enough in the award of bonuses. Some enterprises handed out bonuses and allowances in a subtle form even though they had no marked economic Some urban residents lived in relatively crowded quarters. In addition, some areas did a relatively poor job controlling the prices of commodity prices. The prices at country trade fairs rose by a relatively large extent, adding to the burden on the consumers.

#### 10. Population

At the end of 1981, the province had a population of 73.948 million, an increase of 984,000 over the figure of 72.964 million at the end of the preceding year, or an increase of 1.3 percent.

CSO: 4006/532

## ECONOMIC MANAGEMENT

### CONCEPT OF ECONOMIC ACCOUNTING UNDER SOCIALISM DISCUSSED

Liaoning CAIJING WENTI YANJIU [THE STUDY OF FINANCE AND ECONOMIC PROBLEMS] in Chinese No 2, Apr 82 pp 61-65, 57

[Article by Xia Luoshu [1115 2867 2579]: "On the Essence and Scope of Economic Accounting"]

[Excerpts] In the past, some comrades ignored the role of economic accounting in developing economic relations and viewed it as merely an economic management method. Viewing economic accounting in this way prevented them from gaining a correct and comprehensive understanding of its essence.

We must understand that under different socioeconomic systems, an economic accounting system takes different forms representing different economic relations. Although private ownership enterprises under the capitalist economic system are allowed to go their own way, are given a free hand to run their business, and their production is not nationally organized and planned, the production in each of these enterprises or monopoly groups is well-organized, planned and accounted. The main feature of the capitalist system of economic accounting is that it emphasizes only independent accounting practice by each enterprise instead of overall state planning; its purpose is to serve capitalist interests in exploiting workers, so as to reap maximum profit with minimum capital investment, reflecting a relationship of exploitation of labor by capital. But under the socialist economic system, the establishment of the system of public ownership of the means of production has made it necessary and possible for the state to exercise centralized or unified control over the national economy as a whole. This form of centralized leadership and overall planning provides a fundamental guarantee for the state to overcome anarchism and insure success in developing the national economy with greater, faster, better and more economical results. Because socialist society remains a commodity- and currency-oriented economy, each enterprise in it can still consider itself an independent commodity manufacturer (operator). But socialist economic management underscores the need for the state to exercise unified leadership over enterprises and to permit them to run their business independently. At the same time, socialist economic management must also consider it necessary for the state to carry out overall planning and for each enterprise to have an independent accounting system. If an enterprise is allowed to run its business and accounting

system independently without the unified leadership of the state and overall planning, it will be reduced to a free capitalist venture. In the end, anarchism may appear on the economic development front along with fundamental conflicts of interest between one enterprise and another and between enterprises and society as a whole. But if unified state management and overall planning are not accompanied by an independent enterprise management and accounting system, and if the people throughout the country are allowed to "eat out of one communal pot of rice," it may result in a situation in which the line between good and bad will become blurred, the division of responsibility will become impossible, every enterprise will lose its interest in improving its management and economic performance, bureaucracy will be encouraged to grow, orders will be issued without definite purpose in mind, and economic losses and waste can be expected. For this reason, only by combining unified state management and overall planning with an independent enterprise management and accounting system into a single operation can we bring into play the superiority, and insure the well-planned and proportionate development, of the socialist economy.

The fact that each socialist state enterprise is allowed to operate its accounting system independently reflects its economic relationship with the state, other enterprises and workers as a result of its manufacturing and marketing activities. To be more specific, the economic accounting relationship of the state to enterprises is one of centralized state leadership to the independent management of enterprises. Under the guidance of the state plan, an enterprise must arrange its production and marketing activities on the basis of social needs while the state provides the necessary amount of capital to meet its needs for such activities and delegates to it power to run its business independently. In fulfilling its specific economic commitments to the state, an enterprise must promise to fulfill the state plans, pledge to keep its financial status solvent, and promptly and adequately deliver funds in the form of taxes and profits to the higher authorities, while the state may present cash awards in recognition of fulfillment of production plans and excellent economic performance. The economic accounting relationship of an enterprise with other enterprises may take the form of socialist cooperation and exchange at equal value. One enterprise may sign an economic contract with another for services and settle accounts in terms of currency. Parties to such economic contracts should be prepared to assume economic liability for breach of the terms. The economic accounting relationship between an enterprise and its workers may take the form of payment in wages and bonuses from the former to the latter in accordance with the principle: to each according to his work. The socialist economic accounting system is an economic management system founded on socialist economic accounting relationships. Its key point calls for combining overall state planning with independent accounting practice by enterprises.

As stated above, economic accounting is established to meet the needs of economic management and will grow as the social economy develops. Under different socioeconomic systems, economic relations take different forms. Economic accounting consists of economic accounting connections, systems and methods. Socialist economic accounts mainly use currency as a tool to



reflect, inspect and analyze the economic process. The objective of correctly handling socialist economic relations is to reap maximum economic profit with minimum consumption of manpower and minimum capital investment, to raise the level of economic returns continuously, to accumulate more funds for the state, and to serve the purpose of accelerating the pace of the four modernizations.

Commenting on the scope of economic accounting, some comrades maintain that socialist economic accounting means enterprise economic accounting, or a particular relationship between the state and enterprises on which some enterprise management systems and methods are based. In their view, there is neither economic accounting within the framework of enterprises nor national economic accounting. In my opinion, this view is out of tune with the practice of socialist economic management. Economic accounting is not only applicable to every enterprise as a unit but also to its subordinate sections, workshops and groups. It is also applicable to various sectors of the national economy, various localities and national organizations. In other words, economic accounting exists not only in every enterprise and its subordinate units but also at the national level.

Socialist enterprises are basic level units in our national economy. Under the unified leadership of the state, they carry on their independent manufacturing and marketing activities as the basic links in the exercise of economic accounting. Enterprise economic accounting means that all enterprises should hold themselves accountable to the state under the guidance of its plans. It will have an effective role to play in overcoming the unhealthy tendency of enterprises throughout the country to "eat out of one communal pot of rice," in creating a favorable atmosphere of competition among different enterprises, and in stimulating their enthusiasm for improving their economic performance.

Every enterprise must make further efforts to introduce the concept of economic accounting to its subordinate units so that it can fulfill its economic commitments to the state, comprehensively carry out its plans, and produce maximum economic results. Within the framework of each enterprise, it is called factory-affiliated economic accounting. Under the unified leadership of its head office, every subordinate section, workshop, group, and even every individual must practice economic accounting. To this end, efforts must be made to analyze thoroughly the economic plans and targets of the factory and make them known to every section, workshop, and individual so that every unit and individual will clearly understand their economic commitment to the factory. Measures must also be taken to compute the planned economic quotas completed by every unit, and to examine its economic results. This must be carried out in close coordination with the implementation of the reward and penalty system so that the three factors--authority, responsibility and benefits--will be linked together. Only in this way can the broad masses of workers be encouraged to show concern for the economic returns reaped by their sections, workshops, and groups in their factory, to overcome the unhealthy tendency to "eat out of one communal pot of rice," to promote the labor emulation drive throughout the enterprise, and to work harder than ever to increase production and practice economy.

Economic accounting within the framework of an enterprise is the outgrowth of enterprise economic accounting. There is a clear distinction between the two accounting practices. An enterprise is an independent commodity manufacturer which maintains economic relations with the state and other enterprises. But all its subordinate units cannot present themselves as individual commodity manufacturers, nor can its subordinate workshops and groups maintain economic relations with the outside world. In other words, they are in no position to sign economic contracts with other enterprises, and are not authorized to open bank accounts and establish direct communications with finance and credit organizations. Within the framework of an enterprise, there is no buying or selling between its subordinate sections or workshops, nor is there any marketing activities between them. Since they have no income of their own, they do not have to keep independent accounts receivable and accounts payable. But at present, some industrial enterprises, in the course of practicing internal economic accounting, have come to regard their subordinate sections and workshops as independent economic units and have led them to establish economic relations and to put into effect an economic contractual system. In doing so, they have used factory-proposed prices and currency or factory-affiliated bank checks as vehicles for calculating costs and settling their accounts. They have secured the services of their "factory-affiliated banks" to provide settlements of their internal accounts, figure out "profits and losses" for their workshops, and audit allocations of capital to each workshop and section. This approach has played a positive role in strengthening the economic responsibility system in every enterprise and in helping every factory do a good job of economic accounting.

How well an enterprise fares economically depends in large measure on the performance of the management sector of the national economy. For this reason, we must roundly improve our economic performance. In doing so, we must emphasize the development of both local and national economies. From the long-range economic point of view, we must do a good job in many ways in order to improve our economic performance. For example, we must properly control the speed at which our national economy is developed, allocate resources proportionately among the major sectors of the economy, revise our production plans wisely, develop specialized cooperation, reform the unreasonable economic management structure, and promote economic accounting in various departments, localities and national economic organizations.

Using Marxist economics as a basis, in accordance with the requirements of the socialist economic law, our socialist national economic accountants have applied a complete set of statistical, accounting and mathematical methods to conduct a systematic, calculated and comparative analysis of the economic activities of a specific period of history in the country, a certain sector of the economy, or a specific locality, and have used the findings from this analysis as a reliable contribution to the scientific research and management program concerned with the national economy. By means of national economic accounting, they have assessed social economic achievements, studied the ratio between accumulation and consumption in the national income and the proportionate development of various sectors of the national economy, examined

and conducted a comparative analysis of the implementation of the national economic plans, and summed up experiences and lessons. In this way, they have laid the groundwork for formulating policies, making policy decisions, adopting measures and drawing up national economic plans. Their aim is to achieve an overall balance, to rectify the disproportions in the national economy, and to consider as a whole the interests of central and local authorities, enterprises and individuals, to achieve a well-planned and proportionate development of the national economy, and to produce the best economic results.

Enterprise economic accounting and national economic accounting constitute two essential parts of the system of socialist economic accounting. Doing a good job of national economic accounting is a prerequisite for doing a good job of enterprise economic accounting, while doing a good job of enterprise economic accounting is a basis for achieving success in national economic accounting. Although the two accounting practices are designed to serve the same purpose, sometimes they conflict under specific circumstances. For example, although the fulfillment of certain undertakings and technical innovations to expand the production of some merchandise is profitable from the standpoint of enterprise economic accountants, it is unprofitable or even a squandering of money from the standpoint of national economic accountants. On the other hand, although the proposed construction of a certain new commodity is deemed absolutely necessary from the standpoint of national economic accountants, it can be considered an unprofitable or even money-losing business over a certain period of time from the standpoint of the economic accountants of the enterprise concerned. In the event of such conflicts, the enterprise economic accountants should obey the national economic accountants. In other words, short-term local interests should give way to long-range national interests. At present, we must strengthen the local economic accounting system as a basis for strengthening the national economic accounting system, and make the two systems go hand in hand. Doing so will prove instrumental in implementing the eight-character policy aimed at readjusting the national economy, formulating and perfecting the economic responsibility system and promoting the development of the socialist economy with greater, faster, better and more economical results.

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## FINANCE AND BANKING

### SHANGHAI FINDS VIOLATIONS OF FINANCIAL, ECONOMIC MANAGEMENT

Shanghai JIEFANG RIBAO in Chinese 7 May 82 p 3

[Article by Wu Cai [0702 6846]: "Why 220 Million Yuan Has Not Been Paid into the National Treasury"]

[Text] Two hundred and twenty million yuan is a considerable amount of money. That is the amount which should have been, but was not, paid into the national treasury. How did that come about? Some time ago, under the direction and assistance of the Shanghai working group under the State Council Investigation Team into the Finances of Enterprises, Shanghai discovered, upon investigation that 220 million yuan had not been paid into the national treasury in violation of financial and economic discipline. This represents only the amount which has been brought to light. It stands to reason that the amount which has yet to be ascertained is not likely to be a trifling figure. The lesson derived from this situation truly merits our serious attention.

It is known that many problems have been brought to the surface as a result of the investigation into the finances of enterprises. One of the problems is the seriousness of law violations and criminal activities in the economic area. Long hidden from public view, these criminal activities are truly of stunning proportions when finally brought to light. Up to the present, Shanghai has discovered 2,391 cases of law violations in the economic area involving 2,811 people and 1,970,000 yuan. Among them are 30 cases which exceed 10,000 yuan. The number of party, technical, and operations cadres involved is relatively small. The assets of the nation and the collectives are pilfered by a small number of criminal elements, while the treasures of the nation are allowed to slip into the purses of private individuals.

The second problem is the confused state of financial management and the inadequacy of the regulatory system. Even now, there are many units which fail to check the quality and quantity of materials coming into the factories, which set no limit on expenditures, which keep no records of the amount of sales, and which have no inventories of the stock in hand. Confusion truly reigns supreme! When the figures in the account books do not tally with the stock in hand, some enterprises resort to the practice of falsifying figures on losses. Some enterprises turn out products which fail to meet the standard. Some enterprises file false figures regarding profits which should go to the state and hide the truth from the public. Some enterprises have a topsy-turvy pro-

cedure for taking in and sending out materials so that many materials are not properly recorded. Such practices may be compared to pipes with hundreds of holes through which the funds of the state are dissipated.

The third problem is that the enterprises are plagued by chaotic management in farming out products for processing. The lack of supervision encourages law violations and criminal activities. Many law violations and criminal cases in the city may be traced to the communes and production brigades engaged in the processing of products. Among the 305 people who have been found to have violated the law in the economic area by a certain industrial bureau are 244, or 80 percent of the total, who are involved with the commune and production brigade enterprises. In farming out processing operations, some people seek to obtain special favors by making use of connections, explore every means fair or foul, engage in the making of deals, offer and accept bribes, and benefit themselves at the expense of the public. Some units engaged in farming out processing work do not have the most rudimentary system of management and accounting, pay scant regard to the cost and the quality of the products, contribute to enormous waste, and offer opportunities to criminal elements to pursue their nefarious activities.

The fourth problem is the improper use of funds, resulting in low profits and considerable waste. Since our funds for economic construction are limited in the first place, they should be used with the greatest of care to yield the best results. However, some units have no programs for the use of funds, allow large stocks of materials to pile up, are slow in the turnover of funds, incur expenditures in a prodigal manner, are short of funds to meet legitimate purposes, or incur expenditures without achieving the intended objectives.

The fifth problem is that the rank-and-file financial and auditing personnel fail to measure up to financial administration standards. Members of the financial and auditing personnel have no qualms about breaking the law and giving the green light to unlawful acts and criminal activities. Some financial cadres falsify profit figures in order to pay extra bonuses to the factory workers. Others are in the habit of erasing and altering the accounts so that they may reduce the payment of profits and convert public property into personal profit. There are also a considerable number of young financial and auditing personnel who do not even have a rudimentary knowledge of finance and auditing, who are ignorant of financial and economic principles and policies, who are not familiar with financial and economic laws, regulations and discipline, whose accounts are in a chaotic state, and who are lax in enforcing the law and exercising their role of supervision.

In view of the above, it is my opinion that while our enterprises should concern themselves with ways to make profits, to accumulate money and to spend money to the best effect, they should also take a serious interest in the management of money. Unless money is well managed, it is idle to talk about making money, accumulating money and spending money to the best effect. Sound financial management calls for the management of our limited funds and financial assets in such a way that they are not wasted or lost due to human error and that they may be used to bring higher profits. Sound financial management

hinges on, first, the human factor and, second, the financial system. As far as the human factor is concerned, it is up to those in leadership positions to strictly abide by the principles and policies of the party, to observe financial and economic discipline in a stringent manner, and to put an end to improper practices. At the same time, it is necessary to establish a corps of rank-and-file financial and auditing workers who are dedicated to their duties, who are well versed in their operations, who adhere firmly to their principles, and who are not afraid to perform their duties as they see fit. They must be dauntless defenders on the economic front. There is ample evidence that the financial situation is inevitably better when the financial and auditing personnel are strict in adhering to their principles, have the courage to put an end to improper practices, are not afraid to expose unlawful acts and criminal activities and are capable in housekeeping and financial management. On the other hand, when the financial and auditing personnel are in a state of disarray, put too much store in the matter of face, worry too much about the pros and cons, fail to perform their duties, or their conduct is not above suspicion, the financial situation in that particular unit is inevitably plagued by a plethora of loopholes and saddled with a spate of unlawful acts and criminal activities. For this reason, it is necessary that we strengthen the education and training of financial personnel and rectify and improve the existing corps of financial and auditing workers. Those who are ill-equipped to continue in their financial and auditing duties should be removed. As regards the problem of the financial system, it has been bandied around for a number of years, although there are some units which seem to be oblivious to the fact. How can this state of affairs be allowed to continue? Our nation is presently engaged in waging a struggle against major criminal activities in the economic area. While this struggle is in progress, we must, in the performance of our tasks, enforce economic discipline in a fair but rigorous manner and refrain from showing leniency toward those who undermine socialism and take further steps in putting financial management in good order.

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## FINANCE AND BANKING

### FUJIAN STEPS UP INSPECTION OF FINANCES OF ENTERPRISES

Fuzhou FUJIAN RIBAO in Chinese 13 May 82 p 2

[Article: "Fujian Takes Steps To Strengthen Its Inspection of the Finances of Enterprises"]

[Text] The large-scale inspection of the finances of enterprises in the province has yielded certain preliminary results. The amount of 40 million out of some 120 million yuan found to be in delinquency has already been paid into the treasury.

Since the urgent notification issued at the end of last year by the State Council regarding the launching of a large-scale inspection of the finances of enterprises, the concerned departments at various levels in the province have mobilized the necessary personnel and made preparations to engage in the work of inspection. The various units of the enterprises have launched a self-inspection movement. The concerned departments and bureaus of the province as well as the various localities have assigned a group of over 1,500 leadership cadres, accountants and people in key positions in business operations to engage in a thorough inspection of the enterprises at the basic levels. This inspection is characterized by the large number of units inspected, the impressive prestige of the movement and the revelation of deep-seated problems. The initial results include: first, the strict enforcement of financial and economic discipline and increased revenues. According to incomplete statistics, it has been determined that some 70 million out of 120 million yuan which was withheld in violation of various forms of financial and economic discipline in the province should be paid to the state. Up to the end of March, 70 million yuan out of this amount has been turned in to the national treasury. This has served to contribute to the balance of the budget. Second, the further revelation of the state of confusion in the financial management of the enterprises and a large number of problems leading to heavy losses and waste. These findings will help to lay the groundwork for the further readjustment of the enterprises. Third, the discovery of a large number of cases which are in violation of economic discipline, including clues pointing to certain major cases in violation of the law, will serve to bolster the struggle presently being waged against criminal activities in the economic area and to strengthen the enforcement of party discipline and the laws of the nation. Fourth, the discovery of a number of enterprises whose operations are well managed, which have a sound financial system and which are law abiding, makes it possible to make their experiences known to other enterprises and to set the direction and an example for them to follow.



The main problems uncovered by this investigation include insensitivity to the good of the general situation, siphoning off of the nation's income, confusion in the financial management of the enterprises, corruption and theft, collusion with outside parties, speculation and unscrupulous practices, the offer and acceptance of bribes, and the indiscriminate awarding of bonuses, subsidies and payments in kind. These problems call for further investigation and proper solution so that the enterprises may be rectified once and for all. In keeping with the spirit of the latest directive issued by the State Council, the Fujian People's Provincial Government has made new moves to investigate the finances of the enterprises. It is of the opinion that the investigation presently underway is part of the crucial class struggle to rectify the party style and party discipline and to deal an effective blow to criminal activities in the economic area in this new situation. For this reason, it has called upon all leadership comrades at various levels to further heighten their awareness, to make their positions clear, and to seize the initiative in taking upon themselves the task of putting things in good order. Those units which are less than thorough in their investigation must conduct a reinvestigation and not be allowed to call it off after having made a show of it in a perfunctory manner. Those units and individuals must be made to pay the full amount which has been illegally withheld from the treasury. Major cases and serious cases must be dealt with severely according to the law, especially cases in which leadership cadres are implicated.

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## FINANCE AND BANKING

### BRIEFS

QUARTERLY SAVINGS DEPOSITS--According to the statistics tabulated by the People's Bank of China, during the first quarter of this year the savings deposits in urban China went up remarkably, and recorded an increase of 2.982 billion yuan or 40.1 percent over the corresponding period of 1981, hitting the highest mark for the corresponding period in history. By the end of last March, the savings deposited by city dwellers totaled 38.396 billion yuan. This remarkable improvement in the savings deposits for the first quarter of this year was attributed mainly to an increase in the cash income of urban workers and dwellers. As a result of the broad development of the "five stresses and four points of beauty" campaign, the people have cut down their extravagant and wasteful spending, developed an interest in practicing economy and increased their ability to save money. [Text] [Beijing ZHONGGUO CAIMAO BAO in Chinese 22 Apr 82 p 1] 9574

CSO: 4006/449

## INDUSTRY

### NEEDS OF DOMESTIC MACHINE TOOL MARKET DISCUSSED

Beijing JICHUANG [MACHINE TOOL] in Chinese No 4, 1982 p 46

[Article by Yang Qincheng [2799 2953 3397]: "The Needs of the Domestic Machine Tool Market as Seen From Visits With Users"]

[Text] This time, the writer had an opportunity to visit nine user factories in the aviation industry, diesel engine manufacturing industry, bearing manufacturing industry and tractor manufacturing industry, and gathered the opinions and demands of the various sectors. I feel that the burden of our machine tool profession is heavy, and its tasks are many. The users urgently hope that we can provide appropriate technical equipment that is highly efficient, that is of high quality and that suits the processing characteristics of the workpieces. The users said figuratively: They do not wish to use the money of the 1980's to purchase equipment of the 1950's and to carry out technical improvements in form only. They hope that new technical equipment can be provided to realize true technical improvement. Examples of the needs of the users are presented below.

1. There is a need to arrange variable products according to the technology. At present, many factories use general purpose machine tools to process disks, caps, casings, rings, short axles and such types of spare parts. Such short platform lathes and grinders occupy less space, and they can also reduce localized wear of the guide rails. Simplified machinery structure can reduce the price of the whole machine, and it is also easier for the user to repair and maintain.

Second, there is a need for higher and shorter round spare parts with the same axial degree in outer roundness and in the inner hole. If the inner hole (even including the end surface) can be ground after rounding the exterior without using the method of the underboard grinder to round the inside, then such equipment would be greatly needed by users producing medium and small batches.

Some users require only axial type spare parts with a higher demand for a higher degree of smooth finish in external roundness. The lathe factories should develop a highly efficient super-precise buffing head for users to use selectively.

2. There must be a high processing quality and a high productive rate. In processing holes, whether in grinding small holes, drilling medium sized holes, or boring large holes, present machine tools cannot simultaneously improve both the processing quality and the productive rate. For example, high precision external grinders do not have automatic feed and automatic rotation systems and lack the ability to suit the grinding specifications of various types of users, therefore they cannot effectively improve the productive rate. This is a problem that the users are very concerned about. It is hoped that this problem can be improved soon.

3. Rare types of machinery should be studied to adapt to the development in production. We should actively develop technological equipment for the special needs of users. For example, in the process of making the envelope, there are thousands and tens of thousands of small holes that have to be drilled and riveted. The present method is time consuming and requires a lot of effort. It also requires a group of skilled workers. We should develop a technique and equipment which can continuously drill and rivet to improve the useful life of the turning diameter of the crankshaft of the diesel engine, we should provide equipment for super-precise processing of the turning diameter. In addition, the joining ends of the top and bottom rods connected to the crankshaft described above have already been changed to a toothed structure. If the joints can be formed at once using a strong grinder, the precision of the workpiece can be guaranteed, and the productive rate can be improved also. Users hope we can provide such technology and equipment.

4. We should increase preparations for precision and strengthen the competitive ability. During the visit to the users, I frequently heard them praise the quality of famous brand name machine tools. The processing precision was still very high even after 10 to 20 years of use. This is due partially to careful use and maintenance by the operating workers, but it is mainly because more preparation has been made to guarantee the precision of these machine tools at the time of manufacturing. Easily worn spare parts have been subjected to corresponding measures, and thus the processing precision of the machine tools could be maintained for a long period. If our machine tool products are to win the trust of domestic and foreign users, we should also exert efforts to make more preparations for precision.

5. We should actively develop a service to fine tune and rebuild machine tools for the users. Among the enterprises that we visited, most of the machine tools have served 20 to 25 years. They urgently need to be renovated. The precision of some of these machine tools can be improved by fine tuning at the machine tool factory. The productive rate of some can be improved by adding modern equipment, for example, adding a numerical display on large boring lathes, replacing the  $\Gamma$ -A system with a silicon-controlled governing system. Users hope the machine tool factories can provide plans on how to improve past products and launch such service to adapt to the needs of overall technical improvement by the various enterprises.

6. Necessary technical preparations must be done well. It is very important to grasp the current technology of the users and the trend of its development in the development of new types of machine tools. Therefore, testing and

studying the technology of the users early to overcome technological difficulties will be a forceful guarantee for the development of new types of machinery. Designing personnel will only be able to utilize various types of moulds in a versatile manner and design new machine tools that are suited to the technological characteristics more quickly after they have skillfully grasped the characteristics of the technology of the users. At the same time, they will be able to provide the user with the best technical parameters obtained in technological tests while popularizing new types of machinery, and change the method of the machine tool factories which only purchase technical equipment but not soft technology, so that the performance of the machine tools can be fully developed in the user plants.

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CSO: 4013/78

## INDUSTRY

### BRIEFS

HUNAN INDUSTRIAL OUTPUT INCREASES--Industrial production in Hunan Province in the first half of this year increased. It is estimated that the province will fulfill 52 percent of the quota for the total industrial output value for 1982 and the total industrial output value in the first half of this year will be 10.4 percent more than in the first half of last year. The province's heavy industrial output value in the first half of this year will be 8.5 percent more than in the first half of last year and will increase by 550 million yuan. [Text] [Changsha Hunan Provincial Service in Mandarin 2310 GMT 1 Jul 82 HK]

NEI MONGGOL INDUSTRIAL PRODUCTION--Since the beginning of this year, departments responsible for industrial production throughout Nei Monggol region have dispatched more than 400 investigation groups to help various enterprises in consolidation work and instituting and perfecting the economic responsibility system. In the first 2 months, industrial output value totalled 2.5 billion yuan, an increase of 15.9 percent over the corresponding 1981 period. According to statistics, the 951 state industrial enterprises across the region netted 22.7 million yuan of profits. [Text] [SK060612 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 4 Jul 82 SK]

CSO: 4006/532

## DOMESTIC TRADE

### MEASURES TO STABILIZE MARKET PRICES DISCUSSED

Guangzhou NANFANG RIBAO in Chinese 26 Apr 82 p 4

[Article by Hu Youqing [5178 1635 7230]: "The Guangdong Provincial Price Society Discusses the Problem of How To Stabilize Market Prices"]

[Text] The Guangdong Provincial Price Society recently held a forum on "How to stabilize market prices in Guangdong" in Guangzhou Municipality, analyzing and discussing at great length problems caused by prices in Guangdong and measures to stabilize prices.

After discussing some prominent problems caused by market prices in Guangdong at present, comrades at the forum contended that these problems were caused by both objective and subjective factors. Among the major subjective factors they cited were: 1) a lack of a correct understanding of relationships between the planned economy and the regulation of market prices, between control and decontrol, and between liveliness and disorder plus a tendency to give undue emphasis to the regulation of market prices in ignorance of the necessity of price control, a tendency that prevailed in Guangdong earlier; 2) a lack of an effective and unified measure in this direction as a result of the enforcement by Guangdong of a special policy and measure of flexibility, a policy which has given rise to an atmosphere dominated by flexibility and expediency; 3) a lack of an effective measure to combat the tendency to violate the laws and discipline governing the control of prices.

Comrades at the forum maintained that the pricing problem should be dealt with under an overall plan; to be more specific, stabilizing prices in Guangdong calls for concentrating on doing the following jobs well:

1. Authorities in both urban and rural areas must make efforts to regulate and speed up the flow of goods, and coordinate supply of goods with demand. For the time being, the authorities in the countryside must try to stabilize the prices of agricultural products and control price hikes in all forms, while the authorities in cities must impose a ceiling on the distribution of bonuses.

2. In bringing its superiority into play, Guangdong must increase the supply of agricultural products and byproducts through the adoption of measures to welcome foreign capital, expand its base for developing



agricultural products and byproducts and strengthen relations of cooperation with other provinces.

3. The potential of conserving manpower must be tapped in order to mark down the value of products.

4. State-operated commerce must play a leading role in stabilizing market prices and must take the lead in exercising self-discipline in order to bring down market prices.

5. Efforts must be made to improve the pricing system and tighten the pricing discipline.

6. The guiding ideology in this connection must particularly stress the need to uphold and strengthen the concept of the planned economy, and properly handle the relationship between the planned economy and the interest in regulating market trade.

7. Controlling prices calls for a simultaneous implementation of political, economic and administrative measures. In other words, the strengthening of the propaganda and educational media and the enforcement of economic measures must be backed up by strong administrative measures.

On the basis of the inventory of commodities and the availability of goods from their producers, comrades in the sector of commerce also took advantage of this forum to analyze and assess the general price trend in Guangdong, predicting a drop in the prices of industrial products and a slight rise in the prices of agricultural products and byproducts, both fixed and negotiable prices. For this reason, they stressed the need to do a good job of stabilizing the agricultural products and byproducts.

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CSO: 4006/449

## FOREIGN TRADE

### EXCLUSIVE FOREIGN INVESTMENT IN SHENZHEN ZONE DESCRIBED

Guangzhou YANGCHENG WAN BAO in Chinese 27 Apr 82 p 2

[Article by Lu Zhuosen [7120 0587 2773]: "A Discussion of Enterprises Established Exclusively by Foreign Investment in the Shenzhen Special Economic Zone"]

[Text] A certain percentage of the enterprises established by bringing in foreign capital is in the category of exclusive investment of foreign capital. This category covers real estate, industries, livestock breeding and trade. The investment capital comes from Hong Kong, the United States, Thailand, etc.

These enterprises differ from jointly invested and cooperative enterprises in certain respects. First, all the contracts and agreements signed between the exclusive investment enterprises and the special zone clearly stipulate the proprietary rights of the exclusive investment operations. The special zone receives no share of the profits and is not responsible for losses incurred by these enterprises. Arrangement is made under all overall plan to offer sites for the building of the enterprises and to make land or factory buildings available to the investors. The term for the use of such facilities is usually limited to 20 or 30 years. Within that period, the investors are required to pay fees for the use of the land and taxes stipulated by the special zone at specified times. When the term expires, the investors may apply for an extension if they wish to continue operations. The charge for the use of the land must, however, be readjusted. Within the duration of the term for the use of the land, all the factory buildings, equipment and living facilities of the enterprises are to be the property of the investors, whose right of proprietorship is protected by law in the special zone. Because these enterprises are established by the exclusive investment of the investors, the investors are to be solely responsible for the planning, construction, establishment, production, sources of raw materials, specifications, patterns, varieties, quality, quantity, cost and sale of the products, as well as the circulation of funds of the enterprises, the renewal of equipment, depreciation and profits made and losses suffered by the enterprises. The management personnel and workers needed by the enterprises are to be hired by the investors. The management personnel and most of the technicians are generally from Hong Kong and Kowloon, while the ordinary workers, who are required to pass an examination, are recruited by the labor department in Shenzhen. Wages for the workers are to be set and agreed upon by the investors and the Shenzhen labor department. The investors may adjust the wages for the workers on the basis of their technical skills and their aptitude and offer rewards or mete out punishment to the workers.

Second, because of the size of the investments and the advanced technical equipment of the enterprises established by exclusive foreign investment, most of the products are for export. For instance, the new Xinnan Printing and Dyeing Factory, which is already in the production stage, is equivalent to the four largest printing and dyeing factories in Hong Kong. Equipped according to the standard of the 1970's, this factory is more scientific in its production procedure, more technically advanced, has a large production capacity, and is capable of producing 5 million meters of various types of printed and dyed textiles a month. The entire output is marketed to Hong Kong, Kowloon and foreign countries. However, part of the products of certain enterprises may also be sold locally upon approval. For example, part of the products of the feed factory and the chemical bricks factory, which are in the process of construction, may be sold in the Shenzhen market. According to the terms of the contract, 95 percent of the marine products of the Marine Products Breeding Enterprise established exclusively by foreign investment is to be shipped and sold to Hong Kong and Kowloon, while 5 percent is to be purchased by the Shenzhen Marine Products Company and sold locally. There are certain enterprises, such as the Yongming Food Products Company, which sell their products to compatriots from Hong Kong and Kowloon in transit as well as to local residents.

Enterprises established exclusively with foreign investment have a positive role to play in the rapid development of the economy of the special zone. First, the investors are solely responsible for the enterprises from their inception to operation, the marketing of their products and their profits and losses. By collecting land-use fees, income taxes and payment for labor, the special zone is able to obtain the necessary foreign exchange for its development. Second, the establishment of enterprises financed exclusively by foreign investment offers employment opportunities to job seekers in the special zone and its environs and helps to bring prosperity to the special zone. Third, since these enterprises are operated exclusively by foreign investment, there is no conflict between the enterprises and the various parties in the special zone as regards the rights of creditors, liquidation, depreciation and profit sharing. Fourth, bringing in enterprises which have more technically advanced equipment but which are not prepared at the moment to cooperate with us on a joint investment basis enables us to learn and to absorb their more advanced techniques and management skills.

In short, under circumstances characterized by less than favorable conditions as regards personnel, technical capability and management experience in this initial period in the operation of the special zone, the establishment of enterprises exclusively financed by foreign investment is of mutual advantage to the enterprises as well as to the special zone in its effort to make good use of its resources to operate and manage jointly invested enterprises in a creditable manner. For this reason, it is to our benefit to bring in enterprises exclusively financed by foreign investment. It is the opinion of economic experts in Hong Kong that many more medium and small-sized enterprises will be established in the special economic zone within the next few years. We would do well to study this new situation and to benefit from our new experiences.

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CSO: 4006/466

## LABOR AND WAGES

### 'JINGJIYANJIU' ON FORUM ON LABOR PROBLEMS

HK141440 Beijing JINGJI YANJIU in Chinese No 5, 20 May 82 pp 68-71

[Article by Cehng Li [6774 3810]: "A Brief Introduction to the First Annual Forum of the Chinese Society for the Study of Labor Problems"]

[Text] The inaugural meeting and the first annual forum of the Chinese Society for the Study of Labor Problems were held in Beijing from 14-19 January 1982. The problems discussed at the forum were as follows:

#### I. On the Ownership of the Labor Force Under a Socialist System

##### (1) Does ownership of the labor force exist?

(I) It was maintained that the labor force is a condition for social production. Like other means of production, it has its own form of ownership. A capitalist society has its ownership of the labor force, and a socialist society is no exception.

(II) It was maintained that a separation of the labor force from the laborers is a prerequisite for the development of a relationship between the labor force and ownership, and this kind of separation is founded upon the separation of the means of production from the laborers. In a socialist society, the means of production are jointly owned by the laborers. The transfer and sale of the labor force are nonexistent. Therefore, neither does the problem of the ownership of the labor force exist.

##### (2) On the form of socialist ownership of the labor force.

(I) It was maintained that the labor force should be under public ownership. The ownership of the labor force should be transferred in accordance with the ownership of the means of production. Since the means of production are under public ownership, the labor force should also be owned by the society. In this way the society is responsible for the costs of the production and reproduction of the labor force which is allocated and utilized by the society (state) and enterprises.

(II) It was maintained that the labor force should be owned by individuals. Since the costs of production and reproduction of labor force are borne by the

laborers themselves and their families, the state and the collectives should pay the laborers for their labor.

(III) It was maintained that the ownership of the labor force be of a dual nature, partly owned by the society and partly by the laborers themselves. The reason is that the costs of production and reproduction of the labor force are borne both by individual families and the society.

The idea of using the production costs of the labor force to explain the theory that distribution determines ownership of the labor force was also put forward at the forum.

(IV) It was maintained that the ownership of the labor force in a socialist state should be separated from the right to use it. Its ownership should be by individuals, while the right to use it should belong to the economic units under the public ownership system.

(3) On the problem of ownership of the labor force in a communist society.

(I) It was maintained that the individual ownership of the labor force under a capitalist system is formal, and that the individual ownership of the labor force in a socialist society is imperfect. Only through smashing "free people's community" in commodity production can perfect individual ownership of the labor force be achieved.

(II) It was maintained that the problem of ownership of the labor force will not exist in future communism. The reason is that the labor force will no longer be the basis for acquiring material interests. This is the basic economic demarcation line between socialism and communism.

## II. On Labor and Employment

(1) On the meaning of employment, awaiting employment and unemployment.

(I) The meaning of employment. Some maintained that the meaning of employment is too narrow if it only refers to participation in paid social labor. The social forms of employment are determined by the economic sector. Our society has national, collective and individual economies. Concerning participation in social labor, the meaning of employment not only refers to the joining of the laborers and the means of production under the ownership of the whole people, but also refers to the joining of laborers and the means of production which are owned by collectives and individuals. The forms of income include remuneration for labor as well as management income. The meaning of employment is, therefore, participation in social labor so as to receive remuneration for labor or management income.

(II) The meaning of awaiting employment and unemployment. Some maintained that both terms refer to the same thing, that is, those whose working ability has failed to join with the means of production and those whose labor force has failed to be a means of earning a living. Their difference only lies in their social causes, solutions and developments. Unemployment in a capitalist

system is a problem that cannot be resolved. The unemployment rate is subject to the cycle of economic crisis. At the present stage, the situation of awaiting employment is linked with the rapid increase in the labor force and the slackening of our economic development. The number of people awaiting employment changes in accordance with the control over the reproduction of the labor force and the development and readjustment of our national economy. Its cycle is relatively longer. The problem of awaiting employment can be resolved within a socialist society.

(2) Is the problem of awaiting employment inevitable under a socialist system?

(I) It was maintained that under a socialist system, since the capital accumulation law and the capitalist population law have failed to function, the state may strike a quantitative and structural balance between laborers and vacancies through a planned readjustment of manpower and material resources so as to achieve full employment. Our problem of awaiting employment is due to errors in policy and strategy, not to the socialist system itself. The errors were, for instance, an unclear understanding of the law of population, an excessive growth of the labor force, low productivity, slow economic development, irrational economic, employment, and ownership structures, an incompatibility between the educational system and the employment structure, the enthusiasm of the economic units and the individuals to solve the employment problems being restrained by the labor system under which the quotas are uniformly distributed and in which employment is secured. The problem of awaiting employment would not have existed if these problems were probably handled.

(II) It was maintained that socialist ownership and economic structures are constantly changing. It is impossible to strike an absolute, overall and structural balance between the labor force and vacancies and full employment is impractical as many aspects of the laws of socialist population and economic development are not yet recognized.

(3) The relationship between full employment and the rate of labor productivity.

(I) It was maintained that an increase in the labor productivity rate is not contradictory with full employment. An increase in the labor production rate will be subsequently followed by an increase in supply and an increase in the people's living standard. An increase in the people's living standard will require the introduction of new trades to meet the multiple needs of the people. Meanwhile, the rise in the labor productivity rate will add more to our accumulation and provide the development of new trades with material conditions. An increase in production and introduction of new trades will provide more openings. The so-called "contradiction between full employment and the labor productivity rate" is actually a contradiction between our solutions to the unemployment problem and the labor productivity rate. We take employment merely as "settling down," "providing jobs," and the adoption of policies such as "replacement by children." These policies do nothing but fill vacancies with incompetent workers. They should be abolished if we want to raise the labor productivity rate.

(II) It was maintained that a full employment and labor productivity rate contradictory. On the one hand, an increase in the labor productivity rate will mean a reduction in labor demand which will trigger a drop in the number of employees. On the other hand, as our fixed assets are unchanged, the laborers' fixed asset index will drop if more workers are employed. The increase in the labor productivity rate will thus be affected. Based upon the above-mentioned theories, we should pay attention to the following two things when we formulate our employment policy. First, when the labor force supply is greater than the demand, an increase in employment at the expense of the state's capital and resources will only change the problem of awaiting employment into an excessive labor force. As a result, our state will be over-staffed and our labor productivity rate will drop. Second, we should develop labor-intensive trades which require little capital but intensive labor, so that more people can be employed. The combination of the above-mentioned ideas is aimed to cope with our situation and to find out the best way to raise the labor productivity rate and, at the same time, to achieve full employment.

#### (4) Ways of solving unemployment

The cadres at the meeting maintained that the objectives of the socialist employment policy is to let each of the laborers have an appropriate means of gaining employment, to prevent labor waste, and to let laborers deal with appropriate production materials so as to prevent a waste of materialized labor. In this way the labor productivity rate and the people's cultural and material living standards will be augmented.

Our present situation is that our labor force exceeds the openings provided by all employment means. The quality and the quantity of the labor force have failed to meet fully the requirements for laborers. The way to solve our unemployment is to control the growth of population, to cut down the labor force supply, to reorganize our irrational economic structure, to develop agriculture, light industry, on which we develop heavy industry, commerce, food catering, service trades, to readjust technological structures, develop labor-intensive trades, and to create more openings. At the same time, we should reform our educational structure, expand the scope of education, develop in-service training, vocational training, and improve the quantity and quality of the labor force. It is hoped that, through the above-mentioned reforms, the qualitative and quantitative unity of the labor force and labor employment will be achieved.

At the same time, the forms of ownership should be beneficial to the establishment of rational economic structures. The development of commerce, food catering, service trades, the production of certain consumer goods, and the adoption of the collective and individual economy will better suit our present production level. We should establish rational ownership structures and allow the coexistence of various forms of economy. Ownership by the whole people and collective economy are our basic forms of economy. A certain amount of laborers' individual economy is a necessary supplement to the economy of public ownership. Collective economy and individual economy have great potential for resolving the unemployment problem. The coexistence of various forms of socialist economy is the objective basis for "the policy of the integration of



"a placement service by the labor department, provision of jobs by voluntary agencies and self-sought employment all under the state's overall planning and guidance."

(5) On the outlet for the excessive labor force of our rural area

Some comrades propose that the following should be handled properly in arranging a rural labor force: agriculture is the basis for our national economy. First of all, the demand of labor force for the development of agriculture should be ensured. With the increase in the labor production rate in agriculture, the proportion of the agricultural labor force in the social labor force will drop gradually, and agricultural labor force will be shifted to other sectors. However, the shift should not be too drastic.

Our actual situation was that with the high birth rate in the rural area, and with the rise in the standard of mechanization of agriculture and in labor efficiency of peasants, excessive agricultural labor force would surely be shifted to other sectors. Instead of sending the peasants to big cities to join large industries, the form of "digesting them on the spot" was adopted. For instance, we would greatly develop farming, forestry, animal husbandry, sideline production and fishery, develop rural industry which emphasizes the processing of agricultural, sideline and local products, develop rural commerce, service trade, repair industry and cultural, educational, and hygienic work, and build up and develop new towns in the rural areas to serve as economic and cultural centers.

III. On the System of Hired Laborers

Some comrades pointed out that a socialist state should set up a planned and flexible system of hired laborers. In the past, under the old system of hired laborers, enterprises were not autonomous on making use of personnel. They could not get those whom they wanted and discharge those whom they did not want. Laborers were not free to choose their own occupation. It was very difficult for those who had been in the wrong line to be transferred. The system did harm to mobilizing the enthusiasm of the laborers. It did not encourage youngsters who were awaiting employment, nor did it prompt workers to raise the level of scientific culture and production technology. It also did harm to the improvement of business management. It affected the rise in labor production rate and was unfavorable to labor employment.

Some comrades proposed the setting up of a new system of contracted laborers. Unlike old contract workers and temporary workers, new contract laborers were a component part of our labor class who enjoyed social security and remuneration provided by the state to official workers. They had to sign contracts with their work units. The units could select candidates for employment and can discharge workers. Individuals had the right to choose jobs. Unlike the old fixed-wage system, workers could join and quit under the new system. Their wages were fixed. The new contract labor system suited the practical situation of socialist diversification, and the changes of socialist economic structures. It was also favorable to mobilizing the enthusiasm of the laborers and to socialist modernization.

Some comrades, however, maintained that the united allocation of labor force could not be denied. The present placement companies also bore the nature of united allocation of labor force. Twenty million workers were streamlined during the Second 5-Year Plan under the system of united allocation. Could we then say that the labor force could only be recruited but not discharged? "The order of the parents" is the order of the party, while "the words of the matchmakers" are the work of the labor department. If we let the labor force take its course, it would be improbable that a large portion of the labor force would "freely" flow to coal mines and forests. We could not say that the replacement by children was a feudal hierarchy system. It was still a way to solve the problem of youngsters' unemployment. This system should not be abolished. Its practice, however, can be changed. In the past, a resigned worker could be replaced by a new one. Replacement was, however, to be arranged in accordance with the system and trade. The health, skills, ideology and conduct of the youngsters awaiting employment who were going to replace incumbent workers were to be examined. Only those who met the requirement could be admitted. Analyses made in the system of payment party in kind and party in cash and in the policy of letting people run collectives. This kind of employment system can fully utilize vacated flats, excessive facilities and capital of enterprises to more quickly solve the employment problem of many youngsters and promote social stability and unity. These advantages could not be denied. Existing problems such as mixed undertakings in some units and one account book for national enterprises and collectives were to be resolved step by step.

#### IV. On the Quality and Quantity of the Labor Force

The comrades at the meeting unanimously agreed that the labor force had not only quantity but also quality. Speaking from its natural essence, the quality of labor force referred to the physical conditions of the laborers. Speaking from its social essence, it referred to the laborers' mentality, awareness, scientific skill and cultural level. With the improvement of science and technology, laborers' scientific skill and technological level became the vital part of the quality of laborers.

Labor force had a problem in expanded reproduction. The external aspect of expanded reproduction referred to the increases of laborers' quantity, whereas its internal aspect referred to the improvement of quality. The expanded reproduction of material resources, particularly the expanded reproduction of ever-improving technology, required the improvement of the quality of labor force. Labor force had also to undergo its internal expanded reproduction. The nourishment of senior technological personnel required more "intellectual investment." In light of the improvement of science and technology, intellectual investment was to be expanded while material resources were to be reduced.

#### V. On the Objective Necessity of Distribution According to Labor

(1) It was maintained that distribution according to labor should be directly determined by the personal ownership of the labor force. Proving the objective necessity of distribution according to labor only by bringing forward the public ownership of production materials, productivity level, labor

disparity, and the fact that labor was a means of earning a living was insufficient. Although the public ownership of production materials was implemented through socialism, the labor force should still belong to the laborers themselves. It was a fact that the society should pay for such a labor force. Some comrades even maintained that the objective necessity of distribution according to labor was determined by the socialist method of production, in which the labor force personally possessed by laborers was integrated with the laborer-owned production materials. In this case, socialist labor not only had direct social labor but also had a personal nature. One worked for the society as well as for himself. Distribution according to labor was, in fact, in the economic interest of laborers who worked for themselves.

(2) It was maintained that if the personal ownership of the labor force was used to explain distribution according to labor, laborers could gain income by their personal ownership of the labor force. The society would pay for the use of the labor force. This idea was, however, incompatible with the nature of socialist production relation, and with socialist practice. Individual laborers would form a deal with the society. The word "labor" in distribution according to labor referred to the labor force of individuals, not the volume of labor force provided by the laborers to the society. They maintained that the economic conditions for distribution according to labor was still the production materials owned by laborers, and labor had not yet become the top necessity of the people.

## VI. On Wages

Some comrades proposed a concrete bill to reform wages. The bill could be roughly divided into basic wages and auxiliary wages.

### (1) Basic wages (i.e. "secured wages" or "statutory wages")

A. The principle of fixing basic wages is to ensure that the basic living necessity for labor force production and reproduction was kept at a minimum. Three to five grades were introduced in accordance with the compactness of work, with the maximum point four to five times greater than the minimum.

B. The standard of basic wages was fixed by the state. Assessment of workers' performance would be considered for promotion. No units could alter this rule. Some comrades maintained that even basic wages could be flexible. Only those who had fulfilled their production task (quota) could receive basic wages. Those who had overfulfilled their quota could receive extra pay. Those who had failed to fulfill their quota would have their basic wages reduced.

C. Some comrades proposed "efficiency wages." Workers would receive their pay as marked on their wage statements which showed their performance and efficiency in their positions. Any work or post had its own responsibilities or quotas which were divided into credits. Wage statements would be given according to the credits that a worker scores. He would receive his pay in accordance with the number of wage statements he received.

2. Supplementary wages (they were sometimes called "special wages" which included duty wages, reform wages and allowances)

They would be revised in accordance with the change in working conditions, promotion and demotion, and the introduction of new reforms.

## VII. On Bonuses

The comrades at the meeting generally believed that the major problems of the current bonus system was in its high level, which made the situation uncontrollable; an unequal share of joy and pain among enterprises; and an egalitarianism implemented by enterprises on the issue of bonuses. The keys to these problems were:

1. The state should exert a macroscopic control over bonuses. There were four reasons for this: 1) issuing excessive bonuses without control would affect the state's revenue. Phenomena such as "workers getting more, enterprises retaining more and the state not getting additional income" would occur. 2) Excessive bonuses would place social purchasing power above the supply of commodities. This would lead to a tight market and rising prices. 3) Issuing bonuses called more problems in relation to enterprise profits, which were affected by many objective factors besides the amount of labor rendered by workers. A control over bonuses would alleviate the unequal sharing of joy and pain among enterprises. 4) Bonuses were forms of supplementary wages. Excessive bonuses were incapable of solving existing contradictions, but would only create new contradictions and aggravate the unreasonable wage relations among various ranks of workers.

2. A control over bonuses implemented a few years ago had restricted the initiatives of workers, affected production and created the phenomenon of "control at the beginning of the year, relaxation at mid-year and abandonment at year's end." There was nothing wrong with controlling bonuses but rather the fault was in the means through which control was exercised. The major means in the past was "sealing off," that is, administering control through the issuance of bonuses. From then on, economic means, such as collection of bonuses, would be adopted.

3. Ascertain a clear line of demarcation for bonuses for individual laborers. As bonuses were rewards for excessive labor, individual laborers would be entitled to receive bonuses when they produced excessive labor. The amount of excessive labor was the objective demarcation for bonuses. Excessive labor would be subject to social reductions in accordance with the principle of labor distribution.

4. Ascertain a demarcation for enterprising bonuses. As bonuses were rewards for excessive labor, the amount of excessive labor enterprises provided to the society was to be ascertained, so that bonuses could be calculated in relation to profits. However, the amount of profits also depended on many objective factors such as technology, and production and transportation conditions, in

addition to labor rendered by workers (including excessive labor). Therefore, profit tax should be increased and the rate of profit retention would be lowered in enterprises which enjoy superior conditions for production. In this way, the amount labor enterprises rendered could basically be reflected in the enterprise profits, and the amount of excessive labor could basically be reflected in the amount of excessive profits.

Excessive labor rendered by enterprises should also be subject to social reductions in accordance with the principle of labor distribution. The reason was that bonuses only made up a certain portion of the excessive labor. How to ascertain such a percentage? Under the condition of no provision of excessive labor, the portion was the ratio between the total amount of enterprise wages and the amount of labor rendered by all the laborers (the amount of labor could be indicated by adding up the total amount of standard wages and total profits). It was also applicable to excessive labor. Therefore, bonuses received by enterprises should be the products of the above ratio and the excessive labor rendered by enterprises.

Some comrades also pointed out that the index of wage cost per unit product could also be used as a reference in making a demarcation for enterprises bonuses. If the initial wage level of a certain enterprise was appropriate, but the wage cost per unit product they increased, the amount of bonuses issued was excessive and vice versa. However, when there were changes in the objective conditions for production there would also be changes in the wage cost per unit product. When we talked about the wage content per unit product, we did not refer to the relative amount between wages and costs but the absolute amount in wages. If the relative amount of wage cost and unit product was increased as a result of efforts to save established labor, it was not an indication of excessive bonuses.

#### VIII. On Labor Law

The comrades unanimously maintained that labor law was the law that readjusted the social labor relations which included the employment, transfer, and discharge of laborers by their units; work and rest hours; labor safety and hygiene, workers' involvement in management, award and punishment, technological training, labor disputes, etc. The legislation of labor law was significant to the rational organization of socialist labor, the protection of laborers' socialist rights, the mobilization of laborers' socialist enthusiasm and the development of the four modernizations.

The current dispute was whether labor law was subsidiary to economic law or whether they were of equal standing. It touched upon the area of economic trials and cases, and whether or not labor cases could be entertained. Some comrades maintained that labor law was subsidiary to economic law for the former was a part of the latter. Some maintained that they were equal and parallel, for they both came from the constitution. In a capitalist society, the labor force is a commodity and labor relations is an employer-employee relationship. It could be said that its labor law was, in fact, economic law. In a socialist state, laborers are the masters of the state and enterprises. Their relationship with socialist labor is not purely an economic relationship. It has a wider socialist significance.

## LABOR AND WAGES

### MEASURES TO IMPROVE URBAN LIVING CONDITIONS DESCRIBED

Nanjing XINHUA RIBAO in Chinese 16 Apr 82 p 1

[Article by the communication group of the Jiangsu Provincial Statistics Bureau: "Investment for Construction in Urban Areas"]

[Text] According to the information recently provided by the provincial statistics bureau, from 1979 to 1981, the publicly and collectively owned enterprises and institutions in the cities of this province markedly raised the proportion of investment in nonproductive projects to a new level of 2.8 billion yuan, equivalent to 30 percent of total investment in fixed assets, up 12 percent from the level of 1978, or 7.5 times greater than the total investment in nonproductive projects from 1972 to 1976. This increase in the proportion of nonproductive investment has led to an improvement in municipal services and living conditions of urban residents, and has brought additional benefits to workers.

Since the Third Plenary Session of the 11th Party Central Committee, the capital construction front in our province has carried out the policy of economic readjustment. Under this policy, it has reordered priorities in investment by curtailing the scale of investment in fixed assets, by gradually adjusting the ratio between investment in productive projects and investment in nonproductive projects, and by rectifying the disproportions in the ratio of "bone" to "flesh." During these 3 years, the province invested 1.72 billion yuan in the construction of living quarters for workers, equivalent to 61 percent of total investment in nonproductive projects. In these 3 years, living quarters for urban workers occupying 15.5 million square meters of floor space were completed--averaging 5.17 million square meters a year, a record surpassing the total number of similar homes built in 7 years from 1971 to 1977. After adjustment for dismantled collective dormitories and civilian homes, an average net gain of nearly 4.5 million square meters of floor space a year for living quarters has been registered. Calculating on the basis that each household occupies 50 square meters, those 3 years of effort have relieved 280,000 households of urban residents of their housing shortages. During the 3 years, the province invested over 500 million yuan in the construction of additional cultural, educational and health centers, equivalent to 19 percent of the total investment in nonproductive projects for the same period. The result



is an addition of 523,000 new student seats to the schools of all kinds in newly completed buildings occupying 2,245,000 square meters of land, in which rooms for teachers occupy 1.39 million square meters of floor space. Meanwhile, an additional 9,000 beds have been added to hospitals, along with clinics occupying 354,000 square meters of floor space. This investment has not only brought additional benefits to the people who need medical care and to school children, but also improved living and working conditions for cadres and workers on the educational and health fronts.

During the 3 years, the province invested nearly 200 million yuan in the development of urban public utilities, mainly in the effort to improve water supply for urban dwellers and their communications and transportation facilities, to control and dispose of the "three industrial wastes," and to beautify parks with trees. According to statistics tabulated by 11 cities in the province, in the 3 years the storage capacity of natural gas and liquefied petroleum has increased as a result of the laying of an additional 40 kilometers of pipeline capable of carrying natural gas to more than 300,000 additional consumers. Since 1981, the daily and annual supply capacity of running water has increased by 40 percent over the level of 1978, while its users have increased to 4.718 million. At present, running water can be made available to over 90 percent of the urban population in the province. The urban mass transit departments have added an additional 364 city buses to their existing routes, and have repaired 67 kilometers of highways around cities and 232 kilometers of the underground water drainage systems. Efforts have also been made to open 14 new parks to the public, which increases the public park area by more than 150 hectares of land, and to increase seedling nursery plots by 250 percent over 1978. To meet the daily needs of the masses, the province has increased its investment in the development of commercial and food and drink service networks. From 1980 to 1981, more than 240 shopping centers occupying 223,000 square meters of floor space sprang up in the cities of the province.

Responsible comrades on the staff of the provincial statistics bureau said: Although the efforts in the direction of adjusting investment in capital construction in our province have got off to a good start during the past 3 years, the task that lies ahead remains difficult. Further efforts still need to be made to accelerate the urban development so that the growing demands of city dwellers for improving their material and cultural well-being can be gradually met.

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CSO: 4006/449



## LABOR AND WAGES

### MEASURES TO IMPROVE ECONOMIC WELL-BEING OF WORKERS DESCRIBED

Fuzhou FUJIAN RIBAO in Chinese 11 Apr 82 p 1

[Article: "Educate Workers in the Economic Situation"]

[Text] In the near future, all industrial enterprises throughout Fujian Province should devote time to mobilizing their propaganda media to educate workers in the current economic situation, and lead them to size up the situation and to know the basic principle that consumption should be followed by production so that they will work harder than ever for socialism. So declared the provincewide industrial and communications work conference now still underway.

Although the present ideology guiding the thinking process of workers in our province is generally sound, some of them still appear more concerned with their individual living conditions and less concerned with the state and collectives. Some individuals seem to have pent-up feelings bottled up in their chests, thus creating an unhealthy atmosphere. Comrades attending the conference proposed to give workers beset with this ideological problem an education that emphasizes persuasion and comparison in mathematical terms. The conference also heard a relevant department give this account: in the 3 years following the Third Plenary Session of the 11th Party Central Committee, the state spent some 140 billion yuan on projects to improve the people's living conditions, despite the economic difficulties it faced; as a result of the upward adjustment of prices of agricultural products and byproducts, and reduction and remission of taxes on agricultural and industrial goods in the countryside, peasants in our province increased their total income by 2.26 billion yuan, up 76 percent from the level of 1978; urban workers increased their total income by 580 million yuan due to wage hikes and the enforcement of the bonus system. In the 3 years, the successful placement of 458,000 persons in jobs, including 398,000 employed by civilian enterprises, has enabled the families of workers to increase their total income by 280 million yuan; the completion of living quarters for workers covering 4.48 million square meters of floor space, part of a project totaling 10.2 million square meters of floor space now under construction, has enabled more than 90,000 families of workers to move cheerfully into their new homes and tens of thousands of others to improve their living conditions; the province spent an additional

132 million yuan on the maintenance and construction of public utility projects in cities; the lowering of prices of coal and electricity used by civilian homes has cost the provincial treasury some 85 million yuan in subsidies. The above five projects have cost the state more than 3.5 billion yuan, including more than 2 billion yuan appropriated by the provincial treasury, which was equivalent to 9 percent of the national income of this province or 33 percent of the revenue of the provincial treasury for the said 3 years. An investigation of 324 selected families of workers conducted by a relevant provincial department shows that in 1981, the average income of each family member was 34.76 yuan, up 22.9 percent from the level of 28.21 yuan in 1978. After adjustment for inflation, his income in real terms was 13 percent more than before. Over 85 percent of families of workers have increased their income to 25 yuan per person.

In the course of discussion, the delegates to the conference maintained that the education of workers in the economic situation should take the form of sample investigation, comparison in mathematical terms, and lectures by leading comrades, lectures which must be backed up by concrete and vivid facts, indicating to workers that during the past several years, wages in terms of currency have risen faster than prices, which has made possible some improvement in their standards of living. At the same time, we must realistically acknowledge that there has been little or no improvement in living standards for some segments of the population. The important task is to take advantage of this form of education in the economic situation to convey the following basic ideas to workers: 1) as a matter of principle, consumption must be followed by construction or the development of production in order to raise their standards of living in real terms; 2) in a vast country like ours with 1 billion population, including 800 million peasants, the standards of living cannot be raised on short notice, and workers must share the burden of the state and work harder than others; 3) workers must take a correct attitude toward the state and collectives in relation to individuals, and must behave as masters of their own country with a sense of dedication to the party, the state, socialism, enterprises and collectives and a sense of love for their own careers.

Those attending the conference also discussed ideological and political work to be carried out by industrial and mining enterprises, calling on them to work out a regular schedule for this work with specific objectives in mind, to carry it out in coordination with the economic work and in a way that takes into account what workers really have in mind, to devote special attention to strengthening the ideological education of young workers and the training of the new generation of the working class. Other subjects of discussion included proposals to broaden the development of the socialist labor emulation drive, strengthen the building of party organizations at basic levels, rectify the party's workstyle, establish and strengthen political work institutions of the industrial and communication sectors of the economy at all levels, and strengthen the building of the political work contingents.

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## TRANSPORTATION

### LENGTH OF COMMUNICATIONS, TRANSPORTATION SERVICES DESCRIBED

Beijing GONGREN RIBAO in Chinese 26 Apr 82 p 2

[Article: "The Developing Communications and Transportation Services"]

[Text] Communications and transportation are key construction areas for the state. Since liberation, and particularly in recent years, there has been considerable growth in railway, highway, water transportation, aviation and pipeline transportation, but they still cannot satisfy the needs of the growth in economic construction or raising the living standard of the people. At present, concerned departments are formulating plans to speed up construction and to strive for basic suitability between the two kinds of growth within 3 to 5 years.

#### Length of Railway Ranks Fifth in the World

By the end of 1981 the mileage of state-run railways in China already reached 51,000 kilometers, with an average annual increase of 800 kilometers of new track. The length of railway track ranks fifth among countries in the world.

At the time of liberation, there were only somewhat more than 10,000 kilometers of usable track in the country as a whole. With the exception of Lhasa, the capitals of all provinces and autonomous regions are now accessible by rail and are part of the initial framework of a nationwide railway network. Trunk railways running north and south include the Jinghu line, the Jingguang line, the Taijian-Jiaozhi-Zhiliu line and the Baocheng-Chengkun line. Trunk railways running east and south include the Jingbao-Baolan line, the Longhai-Lanxin line and the Huhang-Zhegan-Xiangqian-Guikun line. In the northeast, the Binsui line between Binzhou and Binsui runs east-west and the Hada line runs north-south, forming a framework in the shape of the character "ding." The Jingshen line, the Jingcheng-Jincheng line and the Jingtong line connect the railroads in and out of Shanhaiguan.

New lines under intensified construction and old lines being transformed at present include the Yanshi line, the Beijing-Qinhuangdao line, the multiple track of the section between Hangyang and Guangzhou on the Jingguang line, and the electrical engineering of the Fengshada and Shitai lines.

### Highway Network Radiates in All Directions

At present, the nation's mileage of highways open to traffic has already reached 900,000 kilometers, 12 times that at the beginning when the state was founded. In the country as a whole, with the exception of Medong County in Xizang and Derong County in Sichuan, over 2,000 counties and over 90 percent of the more than 50,000 rural communes are accessible by motor vehicle. Motor vehicle transportation has basically replaced the backward mode of relying on human and animal strength for transport.

Our country built its first highway in 1906. In the more than 40 years between then and 1949, only 130,000 kilometers of highway were built. On the eve of liberation, only somewhat more than 70,000 kilometers remained usable. The vast countryside and most areas were inaccessible and isolated from the rest of the world. After 32 years of effort, a transportation network of highways centering around Beijing and connecting all provinces, municipalities and autonomous regions has taken initial shape, making motor vehicle transport the most extensive form of transportation in the country.

### Oceangoing Ships Extend to the Three Oceans and Five Continents

China's ocean transport fleet is the mainstay of sea transportation that has developed the fastest. After liberation, an ocean fleet came into existence and grew in size and it now accounts for over 400 ships with a tonnage of 8 million metric tons, increases of over 20 and 40 times respectively.

Our country's ocean fleet travels the main shipping lanes of the three oceans and five continents throughout the year and has established links with more than 420 ports in over 100 countries and regions.

There are 15 major ports along our sea coast, including Dalian, Qinhuangdao, Tianjin, Qingdao, Lianyungang, Shanghai, Huangpu and Zhanjiang. In the last 10 years, largescale construction and expansion of these ports was successively carried out, with the number of deepwater berths accommodating 10,000 tons increased to 147. Many medium size and small ports continue to increase in capacity and play their role.

The mileage of inland water shipping in our country is now 18,000 kilometers, an increase of 46.5 percent from 1949. The navigable mileage of the greatest artery, the Changjiang River, has reached over 3,500 kilometers.

### Every Province Is Connected by Air Service with Over 100 Routes

In 1948 there were only 10 or so domestic and 4 or 5 international air routes in our country. Since liberation, and particularly in the last few years, civil aviation has grown considerably. At present there are already 171 domestic air routes with mileage of 208,000 kilometers, linking over 80 cities. With the exception of Taiwan Province, the capital cities of the 29 provinces and autonomous regions are linked by direct or connecting flights with Beijing and can be reached virtually on the same day. China's Civil Aviation Administration has established business relations with airline companies of over 180

countries and regions and opened 19 international air routes to Europe, Asia, Africa and North America, with a mileage of over 119,000 kilometers. Moreover, regular regional air routes to Hong Kong have been opened up from many cities, with 42 weekly flights there.

Civil aviation has also vigorously and directly developed aviation to serve industry and agriculture, science and technology. Over 10 services are provided, including afforestation and sowing of grass, prevention and control of plant diseases and insect pests for farming and forestry, artificial rain, aerial photography, geological survey, petroleum survey and service at sea.

#### Pipelines--The Youngest Transport Service

Pipeline transportation is the youngest of China's transportation services. It has a history of over 20 years and has played a considerable role in the transport of petroleum and natural gas. As of the end of 1981, our country has already built over 21,300 kilometers of oil and gas pipelines. Last year over 100 million metric tons of crude oil, 780,000 metric tons of refined oil and over 930 billion cubic meters of natural gas were transported. The main petroleum pipelines include Daqing-Tieling-Dalian, Tieling-Qinhuangdao-Beijing, Shandong Linyi-Nanjing Yizheng, Linyi-Cangzhou, Henan Puhai-Linyi, and Henan Jianghe-Hubei Jingmen; as a result, the transport pipelines of major oilfields and refineries in northeast, north and east China have formed a basic system. Natural gas development has formed the gas pipeline system from Dianjinag in eastern Sichuan to Chongqing, Huzhou, Weiyuan, Chengdu, Deyang and Zhongtan.

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## TRANSPORTATION

### CONSTRUCTION OF DAYAOSHAN TUNNEL REPORTED UNDERWAY

Guangzhou NANFANG RIBAO in Chinese 10 May 82 p 1

[Report: "Key project in Opening Multiple Track of the Hengyang-Guangzhou railway; China's Longest Tunnel Project--Dayaoshan Tunnel Overall Construction Begins"]

[Text] The construction of the key project in opening the multiple track of the Hengyang-Guangzhou railway has already begun. By the end of April, 1,400 meters (double track) of the Dayaoshan tunnel had been excavated, of which 800 meters of tunnel had been completed.

To insure smooth progress in the construction project of the Hengyang-Guangzhou multiple track, on the eve of "1 May" the person in charge of the Guangdong People's Government went to the Shaoguan Prefecture, and together with the cadres of counties, communes (towns) and production brigades as well as the comrades of railway construction units, they made a concrete study of the local materials, and taking over of land for use and the tearing down and moving of houses necessary for railway construction projects, further harmonizing the relationship between construction units and the local area. Leading local cadres at all levels indicated: We must do our best to provide convenience for the railway construction.

The Dayaoshan tunnel, a key project on the Hengyang-Guangzhou multiple track, is located between Pingshi and Lechang in the Hengyang-Guangzhou section. The tunnel goes through the Yaoshan mountainous district and the Wushui Gorge where the topography and geology are complex. The tunnel has a double track and is 14.3 kilometers long. It is at present the longest railway tunnel in our country and is the key project in opening the multiple track of the Hengyang-Guangzhou railway. The entire construction process, including drilling, blasting, loading and transportation, pouring and stone lining, involves the use of mechanized equipment as well as the sectional excavation method. At present, construction is underway at 10 work faces of various inclined and vertical shafts of entrances and exits in the tunnel project. The progress of the construction work is normal. At the Leigongjian tunnel entrance--an experimental section to gather experience for complete sectional excavation of the Dayaoshan tunnel--for the first time in April 100 square meters of sectional area of the tunnel were successfully completed, representing the excavation of 107.6 meters in a month. One-time blasting for complete sectional excavation of the double

track tunnel was successfully carried out for the first time in our country. To realize reform of tunnel construction methods and to speed up the construction of the long Dayaoshan tunnel, staff workers who participated in the experimental construction grasped the technical essentials, skillfully operated the four-arm hydraulic drilling wagon introduced from abroad, transformed the operation of blasting techniques, stressed the linking of the operational sequence of drilling, blasting and slagging, and reduced the cycle of each task from the original 48 to 20.5 hours.

At present, the No 1 and No 3 project sections of the tunnel project bureau of the Railway Ministry are concentrating on the construction of the entrance and exit sector projects of Dayaoshan in order that the four-arm hydraulic drilling wagon can enter the tunnel for use before 1 July and create favorable conditions to realize complete mechanized sectional construction. Construction has also been resumed for the earth and stone roadbed project involving the Lechang-Shaoguan section from Huanggang to Hebianchang and the Huanggang station.

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## TRANSPORTATION

### BRIEFS

SHANDONG NEW AIRLINE--A trial flight along the airline among Shanghai, Qingdao and Beijing cities was carried out 27 June. This airline will open for traffic in the near future, which will greatly benefit the tour business in Shandong Province. [Text] [SK280420 Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Jun 82 SK]

CSO: 4600/532

## GENERAL

### SICHUAN PEOPLE'S PURCHASING POWER INCREASES

HK050858 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 5 Jul 82

[Summary] "According to a Sichuan RIBAO report, since the 3rd Plenary Session, the provincial party and government have increased the procurement prices of agricultural and sideline products in order to improve the people's livelihood, revised the workers' wages, given financial and commodity price subsidies, resumed the bonus system, provided more employment opportunities and increased production of consumer goods. All this has brought about good results." Income of people in the urban and rural areas has increased to a very large extent over the past 3 years. According to statistics, the income in cash of people in the urban and rural areas in 1981 was 17.53 billion yuan, an increase of 6.27 billion yuan over 1978, or 55.6 percent. There are several reasons for the increase in income. First, more employment arrangements have been made in the urban areas. The province's total workers' wages showed an increase of 44.6 percent over that of 1978. Second, procurement prices for agricultural and sideline products have been largely increased. The income of commune members obtained by selling agricultural and sideline products in 1981 showed an increase of 70 percent over that of 1978; and the volume of commodities provided by the peasants increased by 3.2 billion yuan over the past 3 years, an increase of 200 percent over the total increases of the past 12 years. Third, commune members have increased income by working part-time jobs in enterprises owned by the people and processing agricultural products, and so on. Fourth, other income such as retirement funds, welfare funds and so on have also increased.

"As a result of the increased income, the purchasing power of the people in the urban and rural areas has also increased. The purchasing power has increased by 4.55 billion yuan over the past 3 years, an increase of about 33 percent over the total increases in the 19 years before the smashing of the gang of four. The per-capita purchasing power has increased from 80.9 yuan in 1978 to 129.5 yuan in 1981, an increase of 60.1 percent." However, we must point out that the income increase of the people in the urban and rural areas has exceeded the growth of industrial and agricultural production and the national income. Comparing 1978 and 1981, our province's total industrial output increased by 20.7 percent, and the income in currency of the people in the rural and urban areas increased by 55.6 percent. Thus, aggravating the state's financial problem. Therefore, improving the people's livelihood must be carried out on the basis of developing production." In addition,

about 15 percent of the peasant families live in poverty in the rural areas, and it is necessary to vigorously develop agricultural and sideline production, diversification and peasants' domestic sideline occupation. In the urban areas, about 5 percent of the worker families live under hardships. All these problems will be gradually solved during the development of the economy.

CSO: 4006/532

## GENERAL

### SUPPLEMENTING PLANNED ECONOMY WITH MARKET REGULATION URGED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 5,  
20 May 82 pp 3-5

[Article by Xue Muqiao [5641 2550 2890]: "Taking Planned Economy as the Core and Supplementing It with Market Regulation"]

[Text] The principle of taking planned economy as the core and supplementing it with market regulation is a crucial one in developing the national economy and must be firmly impressed on the broad cadres.

The socialist economy is a planned economy. Among the economic activities, major issues linked with the overall situation of the national economy, such as the scale of capital construction and the people's living standard, viz., the proportionate relation between the total reserve and total consumption and the major proportionate relations among the various branches of the national economy, must be strictly controlled by state planning. To maintain the proportionate relations among the various branches, the planning of all major construction projects, the production and distribution of crucial products (especially scarce products), and the production and operation of key industries must be subject to state control. Not just for industry, but planning is also necessary for agriculture. As industry and agriculture are interdependent, if there are plans for industry, but none for agriculture, the national economy will not be able to develop according to the proportions. Meanwhile, with the low development level of China's productive forces, the levels among the various regions are entirely different. In terms of the forms of the economy, there exist the popular ownership occupying the dominant position in the national economy, collective ownership which is even more widespread than the popular ownership and a small amount of individual ownership (if the peasant family sidelines are included, the number is not small). Most industrial and agricultural products must be exchanged through the market. As the varieties of large commodities linked with the national economy and the people's livelihood are not many, but the output value great, they must be produced according to state plans. On the other hand, as the value of small commodities is not great, but the varieties

number by the tens of thousands, they cannot all be included in state planning, but can only be produced freely according to market fluctuations and within the permissible range of state planning. Therefore, market regulation under the guidance of state planning is needed.

Planned management must be carried out by economic, as well as administrative, means. The market is mainly regulated spontaneously according to the objective economic laws, but the necessary administrative management is also required. In the past, we mainly relied on administrative means for planned management and promulgated plans of a coercive nature, with the industrial departments producing and the commercial departments purchasing and marketing according to plans. As a result, production was sometimes out of alignment with market needs, and the wasteful phenomenon of either shortage or overstocking emerged. Therefore, even in regard to coercive plans, we must resort to economic means simultaneously, viz., full consideration and application of the law of value, and stipulating and regulating the planned prices of the products according to their value and their demand and supply. To fully develop the effect of economic means, when the regulatory tasks are mostly completed and the market demand and supply mostly balanced, except the major products which are small in variety and which concern the national economy and the people's livelihood, we may replace coercive planning on the production and marketing of many daily need articles with planning of a guiding nature. Guidance planning means that the production and marketing norms of the state will only serve as references to the production and marketing departments. Commercial departments may, according to the planned norms and market need, make purchases from the industrial departments, and the latter may, according to the orders of the commercial departments and the need of the market, organize production. This method of planned management will better reflect the need of the market. So long as the main part of the products is handled by state commerce by unified purchasing and marketing according to the planned prices of the state, such products still belong under planned management, not in the realm of market regulation.

Guidance planning relies mainly not only on administrative means, but also on economic means, to assure the completion of plans. We must formulate correct price policies, and the balance of supply and demand of general products should, as far as possible, be effected by pricing. The regulation of those products which cannot be completely accomplished by pricing may be effected by means of tax rates, and by bank credit in some cases, in order to promote the normal circulation of the various commodities and reduce overstocking and waste. Mastering the economic leverage and reducing coercive planning, replacing it with guidance planning, are a crucial part of the reform of our planning system hereafter. Currently, due to the irrationality of the system, structure and pricing, the introduction of guidance planning is still difficult, and we still need to reinforce planned guidance and administrative intervention. Naturally, even after mastering the economic leverage, we cannot completely abolish coercive planning. Investments in major capital construction

projects and the production and distribution of a small number of crucial goods and materials, especially scarce commodities (such as grain, energy, etc.), must remain under coercive planning for a long time to come.

In planned management, besides coercive and guidance planning, we must also adopt manifold forms, e.g., combining coercive and guidance planning, and cooperative planning among regions, among industries and among enterprises. The totals of the production and marketing of steel products and cotton fabric must follow coercive planning, but it is impossible to include all their varieties, specifications and designs and colors, which number in the tens of thousands, in state planning, and they can only be left to the supplying and demanding sides to settle by contract. Some scarce products must be placed under the unified distribution of the state, but a small part must be left for cooperation between the producing and demanding regions, so that the producing region can obtain by exchange the products which are most needed by it but which the state is unable to supply. The unified planning of the central government from the top to the bottom must be supplemented with regional cooperation from the bottom to the top. When formulating cooperative plans from the bottom to the top, the completion of the allocation and transfer tasks of the state must be first guaranteed and the cooperative planning of the various regions coordinated in a nationwide sphere, making it into a component part of state planning and achieving an overall balance according to the spirit of regarding the whole country as one chess game.

Due to the extensive collective ownership in rural areas, the forms of planned management become even more complex. Our planned management of crucial farm products in the past was mainly by means of the price policy, which was planning of a guidance nature. With the shortage of many crucial farm products, to assure the completion of the purchasing tasks, we, besides the price policy, also resorted to the methods of requisitioned purchasing (such as grain), unified purchasing (such as cotton) and assigned purchasing (such as hogs and eggs), which were planned management of a coercive nature, i.e., administrative means in addition to economic means. These methods can only be gradually changed when the supply and demand are balanced or when the supply exceeds the demand. When balancing supply and demand by means of the price policy, the prices, as long as they are determined by the state, are planned prices. Furthermore, as most of the products are subject to unified purchasing by organs designated by the state, they still belong to the realm of planned management. Only Class 3 farm by-products whose prices are not determined by the state and the products permitted by the state to be sold in rural and urban agricultural by-products markets come under market regulation. Negotiated purchasing of agricultural by-products by state commerce from the peasants remains the necessary supplement to planned purchasing at present, but the range of negotiated purchasing must be strictly controlled in order to avoid conflict with the purchasing plans of the state.

According to the above divisions, the production and exchange of most products in our country are under planned management, and market regulation

only creates a supplementary effect. We should point out that, when carrying out planned management, we must apply the law of value. Consumer goods must be exchanged through the market, permitting the consumers to choose freely, and a fairly large part of production means must also go through the market. The economic work personnel (including the planning personnel) must constantly survey the market conditions and familiarize themselves with certain laws producing a continual effect in the market economy. That we stress the effect of the market in the reform of economic management in recent years is because our economic work personnel fail to pay much attention to market conditions and are ignorant of certain laws of market economy. Juxtaposing market regulation and planned management and failing to take planned management as the core are incorrect, but finding it unnecessary to study the effect of the market under planned management, or even considering utilizing the effect of the market as capitalist liberalism, is just as wrong. To change the disjointed phenomenon between production and demand which has not been completely rectified even now, we must continue to study thoroughly the changes in market conditions, make market forecasts and, upon discovery of incompatibility between production and need, promptly revise the production and purchasing plans and readjust the planned prices.

In the reform our economic management system in the past few years, we gradually introduced the following methods in the aspect of circulation.

1. We have changed the unified purchasing and exclusive sale on many daily need articles. Except such major consumer goods as grain and cotton fabric and such crucial production means as petroleum, coal and lumber, the commercial departments practice selective purchasing on many daily need articles, and may refuse to purchase unmarketable products, and the plants may sell on their own the products not purchased by the commercial departments. By so doing, the protracted overstocking and protracted shortage of many products have been preliminarily solved and waste reduced.

2. We have increased the channels of circulation and reduced the links. In the past, urban commerce was handled exclusively by the state, rural commerce by the supply and marketing cooperative, and import and export trade by the Ministry of Foreign Trade. Thus, the market was made rigid, detrimental to the sound development of the national economy. Today, under the premise of maintaining the dominance of these commercial branches in the market, the plants are permitted to sell a part of their products on their own, and the industrial departments may set up separate specialization companies to sell their products (especially machine and electrical products). The agricultural by-products permitted by the state to be sold by the producers themselves may be shipped by the communes and brigades or peasants themselves for sale at urban agricultural by-products markets. The state also permits some regions and plants, under the unified leadership of the Ministry of Foreign Trade, to handle import and export business or to operate jointly with foreign trade specialization companies. The reform has produced an important impact on the urban-rural and internal-external interchanges of agricultural



by-products. Naturally, the development of market regulation has inevitably led to such illegal acts as speculation and profiteering, smuggling and tax evasion; therefore, the state must simultaneously reinforce market management.

Correctly handling the relations between planned economy and market regulation is a crucial link in our reform of the system. For a time in the past, we appropriately enlarged the range of market regulation and gave attention to the role of economic leverage in planned management. As shown by the practice of the past 3 years, the results of the reform are extremely obvious. To make the reform develop a positive effect and prevent a negative one, we must reinforce planned management, utilize economic means and the economic leverage to manage the economy, strengthen economic legislation, and tighten the supervision and inspection by the industrial and commercial management bureaus and customs. Precisely as democracy requires the creation of the legal system, we must also appropriately reinforce market management when introducing market regulation. Failing to utilize market regulation and relaxing market management are both detrimental to the sound development of the socialist economy.

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GENERAL

BRIEFS

NEI MONGGUL ECONOMIC CONSTRUCTION--The Nei Monggol autonomous regional people's government recently allocated 10 million yuan of special funds to develop the economic and cultural construction in border pastoral areas. Because of slow economic and cultural development, many herdsmen in these areas still have difficulty receiving TV and radio programs and drinking water supplies. Many areas have no telephones. The Nei Monggol autonomous region people's government decided to attend to economic and cultural construction in the border pastoral areas by allocating special funds in the coming 4 years. [Text]  
[SK030714 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 1 Jul 82 SK]

CSO: 4006/532

Materials Management

AUTHOR: CHEN Meijun [7115 2734 0689]

ORG: Beijing College of Economics

TITLE: "On the Major Approaches to Mechanization of Warehouses in China"

SOURCE: Beijing WUZI GUANLI [MATERIALS MANAGEMENT] in Chinese No 6, 25 Jun 82  
pp 16-17

ABSTRACT: Since the 60's, mechanized and automated highrise warehouses have appeared in some developed capitalist countries. These are called vertical warehouses, which occupy very little land and are equipped for mechanized loading and unloading as well as for automated management. The author does not believe they should be the goal in China, however. Compared with some developed countries, such as Japan, the existing warehouse spaces in China are still much larger and the problem is their low utilization rate and low work efficiency due to the low level mechanization. In some cases, the available machines are not coordinated into complete sets to cause them not to operate in full capacity. The paper suggests that instead of building up-to-date warehouses, what China needs is to install modern and complete sets of machines, such as indoor small gantry cranes, forklift trucks, and outdoor gantry cranes in the existing warehouses to improve the space utilization rate and the work efficiency.

AUTHOR: None

ORG: China Fuel Company

TITLE: "The Problem of Coal Supply for Boiler Use Discussed by Some Energy Specialists in Beijing"

SOURCE: Beijing WUZI GUANLI [MATERIALS MANAGEMENT] in Chinese No 6, 25 Jun 82  
p 32

ABSTRACT: Fuel companies in more than 10 provinces and cities have started in the last 2 years to process coal mechanically to supply the boilers of small and large enterprises. Unlike coal for the use of metallurgical plants, the processed coal for motive power use has different indices for calorific capacity, volatile element, and grain size. One of the specialists reported that when the processed coal is used in the majority of the boilers, the carbon content of the cinder is generally 5-7 percent less and about 2-3 or even 5 percent less coal is consumed; therefore, the benefit from each ton of processed coal is 1.92 yuan. The current cost of processing is 1 - 1.70 yuan; therefore, the net benefit is only 0.22-0.92 yuan. Some suggest that the capital investment for each of the processing machines in the future should not be too high and the utilization rate of each machine must be raised. One way of reducing the cost of processing per ton is to assign two shifts of workers to each machine. The delegates also suggest that the quality indices of the processed coal should be given to the users instead of simply providing the grade of coal supplied.

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